

**CITY OF NORTHAMPTON, MASSACHUSETTS**

**REPORT ON THE EXAMINATION  
OF BASIC FINANCIAL STATEMENTS**

**FISCAL YEAR ENDED JUNE 30, 2008**

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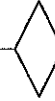
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Thomas J. Scanlon & Associates  
Certified Public Accountants

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**Independent Auditors' Report**

To the Honorable Mayor  
City of Northampton, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Northampton, Massachusetts, as of and for the fiscal year ended June 30, 2008, (except for the Northampton Contributory Retirement System, which is as of and for the year ended December 31, 2007), which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Northampton, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Northampton, Massachusetts, as of June 30, 2008, (except for the Northampton Contributory Retirement System, which is as of December 31, 2007), and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2009, on our consideration of the City of Northampton, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming opinions on the general purpose financial statements of the City of Northampton, Massachusetts, taken as a whole. The supplementary supporting statements listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Northampton, Massachusetts. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements taken as a whole.

Management's discussion and analysis, located on the following pages, are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and therefore, express no opinion on it.

THOMAS J. SCANLON,  
Certified Public Accountant

South Deerfield, Massachusetts  
January 12, 2009

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## Management's Discussion and Analysis

As management of the City of Northampton, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2008

### Financial Highlights

- The City's assets exceeded its liabilities by \$103,404,285 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$101,724,194 or an increase of \$1,680,091.
- Total net assets are comprised of the following:
  - (1) Capital assets, net of related debt, of \$70,746,011 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
  - (2) Net assets of \$10,189,279 are restricted by constraints imposed from outside the City such as grantors, laws or regulations.
  - (3) Unrestricted net assets of \$22,468,995 represent a portion available to maintain the City's continuing obligations to citizens and creditors.
- The City's governmental funds reported total ending fund balance of \$15,242,218 this year. This compares to the prior year ending fund balance of \$17,348,559 showing a decrease of \$2,106,341 during the current year.
- At the end of the current fiscal year, unreserved/undesignated fund balance for the General Fund was \$2,082,008, or 2.67% of total General Fund expenditures including transfers and 2.70% of total General Fund revenues including transfers and capital lease.
- Total liabilities of the City decreased by \$4,498,463 to \$84,522,247 during the fiscal year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Northampton's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of finances, in a manner similar to private-sector business.

The *statement of net assets* presents information on all assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, public works, education, health and human services, culture and recreation, employee benefits and insurance, state assessments and interest. The business-type activities include the sewer, water and solid waste activities.

The government-wide financial statements include not only the City of Northampton itself (known as the *primary government*), but also a legally separate public employee retirement system for which the City of Northampton is financially accountable. Financial information for this *component unit* is reported separately within the fiduciary fund statements.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.



The City of Northampton adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

**Proprietary funds.** The City maintains three proprietary funds.

*Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its sewer, water and solid waste activities.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

## Financial Highlights

### Statement of Net Assets Highlights

	Governmental Activities		
	2008	2007	Change
<b>Assets:</b>			
Current assets	\$ 27,467,120	\$ 28,099,551	\$ (632,431)
Noncurrent assets (excluding capital)	19,194,179	21,566,992	(2,372,813)
Capital assets	69,130,639	69,386,026	(255,387)
<b>Total assets</b>	<b>115,791,938</b>	<b>119,052,569</b>	<b>(3,260,631)</b>
<b>Liabilities:</b>			
Current liabilities (excluding debt and lease)	4,754,791	4,589,766	165,025
Noncurrent liabilities (excluding debt and lease)	2,153,132	2,097,333	55,799
Current debt and lease payable	5,984,888	4,860,797	1,124,091
Noncurrent debt and lease payable	32,964,563	37,301,060	(4,336,497)
<b>Total liabilities</b>	<b>45,857,374</b>	<b>48,848,956</b>	<b>(2,991,582)</b>
<b>Net Assets:</b>			
Capital assets net of related debt	51,805,521	51,136,047	669,474
Restricted	8,649,774	8,945,910	(296,136)
Unrestricted	9,479,269	10,121,656	(642,387)
<b>Total net assets</b>	<b>69,934,564</b>	<b>70,203,613</b>	<b>(269,049)</b>

	Business-Type Activities		
	2008	2007	Change
<b>Assets:</b>			
Current assets	\$ 16,627,901	\$ 20,206,252	\$ (3,578,351)
Capital assets	55,506,693	51,486,083	4,020,610
<b>Total assets</b>	<b>72,134,594</b>	<b>71,692,335</b>	<b>442,259</b>
<b>Liabilities:</b>			
Current liabilities (excluding debt)	977,437	1,532,382	(554,945)
Noncurrent liabilities (excluding debt)	1,121,233	951,463	169,770
Current debt	3,440,229	2,250,738	1,189,491
Noncurrent debt	33,125,974	35,437,171	(2,311,197)
<b>Total liabilities</b>	<b>38,664,873</b>	<b>40,171,754</b>	<b>(1,506,881)</b>
<b>Net Assets:</b>			
Capital assets net of related debt	18,940,490	17,910,716	1,029,774
Restricted	1,539,505	682,359	857,146
Unrestricted	12,989,726	12,927,506	62,220
<b>Total net assets</b>	<b>33,469,721</b>	<b>31,520,581</b>	<b>1,949,140</b>

## Financial Highlights

### Statement of Activities Highlights

	<b>Governmental Activities</b>		
	<b>2008</b>	<b>2007</b>	<b>Change</b>
<b>Program Revenues:</b>			
Charges for services	\$ 11,144,925	\$ 11,161,973	\$ (17,048)
Operating grants and contributions	26,114,672	24,581,762	1,532,910
Capital grants and contributions	1,370,132	3,677,716	(2,307,584)
<b>General Revenues:</b>			
Property taxes	36,391,897	34,815,844	1,576,053
Motor vehicle and other taxes	2,276,703	2,146,183	130,520
Hotel room occupancy taxes	352,264	368,770	(16,506)
Penalties and interest on taxes	245,736	202,872	42,864
Nonrestricted grants and contributions	5,838,274	5,809,805	28,469
Unrestricted investment income	643,823	800,878	(157,055)
Miscellaneous	6,307	4,530	1,777
<b>Total revenues</b>	<b>84,384,733</b>	<b>83,570,333</b>	<b>814,400</b>
<b>Expenses:</b>			
General government	5,929,182	6,590,269	661,087
Public safety	11,114,159	9,901,764	(1,212,395)
Public works	3,671,697	3,778,604	106,907
Education	37,283,065	36,104,663	(1,178,402)
Health and human services	2,356,444	2,028,560	(327,884)
Culture and recreation	2,373,071	2,544,899	171,828
Employee benefits and insurance	20,725,544	19,147,772	(1,577,772)
State assessments	2,207,290	2,131,790	(75,500)
Interest	1,775,100	1,799,968	24,868
<b>Total expenses</b>	<b>87,435,552</b>	<b>84,028,289</b>	<b>(3,407,263)</b>
<b>Contributions to Permanent Funds</b>	<b>8,050</b>	<b>14,800</b>	<b>(6,750)</b>
<b>Transfers, net</b>	<b>2,773,720</b>	<b>2,667,143</b>	<b>106,577</b>
<b>Change in net assets</b>	<b>(269,049)</b>	<b>2,223,987</b>	<b>(2,493,036)</b>
<b>Net assets - beginning of year</b>	<b>70,203,613</b>	<b>67,979,626</b>	<b>2,223,987</b>
<b>Net assets - end of year</b>	<b>\$ 69,934,564</b>	<b>\$ 70,203,613</b>	<b>\$ (269,049)</b>

	Business-Type Activities		
	2008	2007	Change
<b>Program Revenues:</b>			
Sewer	\$ 4,164,350	\$ 4,079,092	\$ 85,258
Water	4,582,478	4,266,033	316,445
Solid Waste	3,654,404	3,637,669	16,735
<b>Total Revenues</b>	<b>12,401,232</b>	<b>11,982,794</b>	<b>418,438</b>
<b>Expenses:</b>			
Sewer	2,859,728	2,848,427	(11,301)
Water	3,192,145	1,997,003	(1,195,142)
Solid Waste	2,205,468	1,631,127	(574,341)
<b>Total expenses</b>	<b>8,257,341</b>	<b>6,476,557</b>	<b>(1,780,784)</b>
<b>Unrestricted investment income</b>	<b>578,969</b>	<b>744,934</b>	<b>(165,965)</b>
<b>Transfers, net</b>	<b>(2,773,720)</b>	<b>(2,667,143)</b>	<b>(106,577)</b>
<b>Change in net assets</b>	<b>1,949,140</b>	<b>3,584,028</b>	<b>(1,634,888)</b>
<b>Net assets - beginning of year</b>	<b>31,520,581</b>	<b>27,936,553</b>	<b>3,584,028</b>
<b>Net assets - end of year</b>	<b>\$ 33,469,721</b>	<b>\$ 31,520,581</b>	<b>\$ 1,949,140</b>

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$103,404,285 at the close of FY 2008.

Net assets of \$70,746,011 (68%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in its capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the net assets \$10,189,279 (10%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$22,468,995 (22%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The governmental activities net assets decreased by \$269,049 during the current fiscal year, which reflects the general fund's results of operations. This was mainly attributed to expenditures exceeding revenues by \$3,050,819, transfers in from the sewer, water and solid waste funds of \$2,773,720 and contributions to permanent funds of \$8,050.

There was an increase of \$1,949,140 in net assets reported in connection with the sewer, water and solid waste business-type activities. Of this, the sewer department incurred an increase of \$5,233 and was attributed to budgeting revenues sufficient to cover current operational costs by \$1,393,497, less transfers out to the general fund of \$1,388,264. The water department incurred an increase of \$1,081,145 and was attributed to budgeting revenues sufficient to cover current operational costs by \$1,671,989, less transfers out to the general fund of \$590,844. The solid waste department incurred an increase of \$862,762 and was attributed to budgeting revenues sufficient to cover current operational costs by \$1,657,374, less transfers out to the general fund of \$794,612.

### ***Financial Analysis of the Government's Funds***

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

***Governmental funds.*** The focus of *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$15,242,218. Of this year-end total, \$2,082,008 is the undesignated general fund balance, indicating availability for continuing City service requirements. Reserved and designated fund balances include \$1,696,492 committed to liquidate encumbrances and carried forward articles remaining from the prior year; \$635,656 in perpetual permanent funds; \$660,856 reserved for the 2009 budget; \$10,670,725 in special revenue funds; \$(608,187) in capital projects funds; and \$104,668 in permanent funds. The deficit of \$(608,187) in the capital projects fund represents various capital projects with a negative fund balance due to the fact that interim financing is being accomplished with bond anticipation notes. A total of \$1,508,795 in bond anticipation notes were outstanding. Permanent financing will be done once the projects near completion. At that time the deficits will be eliminated.

The total ending fund balances of the governmental funds shows a decrease of \$2,106,341 in comparison with the prior year. The decrease is attributable to expenditures exceeding revenues by \$5,090,320, transfers in from the business-type activities of \$2,773,720 and the execution of a capital lease for \$210,259.

### ***Major Governmental Funds***

The *general fund* is the City's primary operating fund and the largest source of day-to-day operations. At the end of the current fiscal year, unreserved/undesignated fund balance of the general fund was \$2,082,008, while total fund balance reached \$3,778,500. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures and revenues and transfers. Unreserved/undesignated fund balance represents 2.67% of total general fund expenditures including transfers and total fund balance represents 4.84% of that same amount. Unreserved/undesignated fund balance represents 2.70%

of total general fund revenues including transfers and the execution of a capital lease and total fund balance represents 4.90% of that same amount.

The fund balance of the general fund decreased by \$934,532. Of this amount \$5,887,826 was attributed to the expenditures over revenues, \$1,321,070 of net transfers from the stabilization fund, \$648,245 of net transfers from the non-major funds, \$2,773,720 in transfers in from the business-type activities and \$210,259 from the execution of a capital lease.

The *stabilization fund* has accumulated a fund balance of \$2,169,618, or 2.78% of total General Fund expenditures including transfers and 2.81% of total General Fund revenues including transfers and the execution of a capital lease. These funds can be used for general or capital purposes upon City Council approval.

The fund balance of the stabilization fund decreased by \$1,206,084. Of this amount \$114,986 was attributed to interest income, \$171,000 of transfers in from the general fund and \$1,492,070 of transfers out to the general fund. Please refer to Note 3H for additional information.

***Proprietary funds.*** The proprietary funds statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status.

### ***Major Proprietary Funds***

The *sewer fund* is the financing and operations of the City's sewer system. The sewer fund shows an increase of \$5,233 in total operations, the result of operating revenues exceeding operating expenditures by \$1,450,881, interest income of \$88,875, interest expense of \$146,259 and \$1,388,264 of transfers to the general fund.

The *water fund* is the financing and operations of the City's water system. The water fund shows an increase of \$1,081,145 in total operations, the result of revenues exceeding expenditures by \$2,306,132, interest income of \$281,656, interest expense of \$965,239, intergovernmental revenue of \$49,440 and \$590,844 of transfers to the general fund.

The *solid waste fund* is the financing and operations of the City's solid waste system. The solid waste fund shows an increase of \$862,762 in total operations, the result of revenues exceeding expenditures by \$1,529,121, interest income of \$208,438, interest expense of \$80,185 and \$794,612 of transfers to the general fund.

### ***General Fund Budgetary Highlights***

The final general fund budget for fiscal year 2008 was \$73,408,238. This was an increase of \$3,719,220 over the previous year's final budget.

There were negative variances in property taxes, licenses, permits and fees and interest on investments of \$120,784, \$491,074 and \$126,986, respectively. In the licenses, permits and fees category receipts were lower as a result of a decline in the issuance of building permits, also medicaid reimbursements for the schools were lower as well as tuition for students attending Smith Vocational High school was down, recreation

receipts and motor vehicle fines and surcharges were lower as well as the fees for the rental of the James house. Interest on investments was a negative variance as a result of a decline in interest rates. Overall the revenues had a budget deficit of \$509,922.

There was a net increase of \$1,935,435 between the original budget and the final amended budget. The increases are primarily attributed to ambulance services for \$594,000, veterans benefits for \$245,000, legal services for \$165,000, Smith Vocational High School capital improvement projects for \$100,000, the snow and ice budget for \$75,000, the Hampshire County jail assessment for \$26,418, website maintenance for \$10,000, flood control overtime for \$10,000 and a transfer from free cash of \$912,545 to cover operating deficits. The City also transferred back left over appropriation balances to original funding sources for \$202,528.

Of the \$2,612,808 in unexpended/committed budget expenditures \$1,696,492 has been carried over to fiscal year 2009 leaving a surplus of \$916,316 to close to undesignated fund balance.

Overall the variance with the final budget was a positive \$406,394 consisting of revenue deficits of \$509,922 offset by appropriation surpluses of \$916,316.

### ***Capital Asset and Debt Administration***

**Capital Assets.** The City's investment in capital assets for its governmental and business-type activities as of June 30, 2008 amounts to \$69,130,639 and \$55,506,693. respectively.

The investment in capital assets includes land, construction in progress, buildings and renovations, machinery, equipment and other and infrastructure.

Major capital events during the current fiscal year in the governmental type funds included the following:

- Conservation land for \$1,051,300.
- Department of public works land for \$2,700.
- MIS server and storage area for \$92,250.
- Police vehicles for \$137,935.
- A police fingerprint imager for \$17,040.
- A dispatch system for the fire department for \$35,350.
- Fire department vehicles for \$243,740.
- Department of public works vehicles for \$58,225.
- Various road and sidewalk improvements for \$536,117.
- School vehicles for \$90,045.
- Various school projects for \$665,864.
- A police van for \$70,363.

Construction in progress projects remaining at the end of the year consisted of the police facility for \$134,810, bridge repairs for \$24,372, road work for \$25,485, sidewalk repair for \$17,550, roof repair for \$1,250, energy conservation for Jackson Street school for \$21,630, Smith Vocational School shop equipment and computers for \$71,865, Smith

Vocational School fire alarm upgrades for \$19,000, and the Smith Vocational School dairy roof for \$60,385.

Completed construction in progress projects consists of Jackson Street school HVAC for \$189,460, senior center for \$4,651,935, Veterans Field drainage improvements for \$507,380, Smith Vocational High School parking lot for \$272,090, Smith Vocational High School cosmetology shop renovation for \$89,500, Jackson Street school burner for \$124,215, school cafeteria point of sale systems for \$30,000, the Ridgewood Terrace project for \$321,575, the Ryan Road project for \$112,230,

Capital asset additions during the year of \$6,164,074 in the business-type activity consisted of:

- in the sewer fund, \$210,230 in infrastructure improvements were completed and \$4,114 were started.
- in the water fund, the water treatment plant was completed for \$27,250,000 and the Ridgewood Terrace water project for \$1,141,060. Water mains were started for \$770,600 and machinery, equipment and vehicles for \$123,478.
- In the solid waste fund, vehicles and equipment for \$150,701 were acquired and expansion and improvements to the landfill were started for \$766,820.

**Debt Administration.** The City's outstanding governmental debt, as of June 30, 2008, totaled \$38,671,332, of which \$25,904,196 is for school projects, \$8,883,000 is for City building projects, \$495,000 for an aerial ladder fire truck, \$278,000 is for land acquisitions, \$604,000 for storm and surface drains, \$30,000 for recreation facilities, \$57,341 for the Septic V community septic program, \$130,000 for the skate park, \$209,000 for road and sidewalk projects, \$572,000 for departmental equipment, and \$1,508,795 in bond anticipation notes.

The City's outstanding business-type debt was \$2,978,921 in sewer debt, \$31,864,282 in water debt and \$1,723,000 solid waste debt for a total of \$36,566,203 in business-type debt.

The City also has capital leases for ambulances, school department computer equipment and a truck. The last lease payment is due in 2011. The City currently owes \$300,352 on the leases consisting of \$278,119 in principal and \$22,233 in interest.

Please refer to notes 3C, 3E, 3F and 3G for further discussion of the major capital and debt activity.

### ***Requests for Information***

This financial report is designed to provide a general overview of the City of Northampton's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Auditor, City Hall, 210 Main Street, Northampton, Massachusetts.



## **BASIC FINANCIAL STATEMENTS**

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2008**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
CURRENT:			
Cash and Cash Equivalents	\$ 18,006,039	\$ 15,151,896	\$ 33,157,935
Investments	831,633	-	831,633
Receivables, net of allowance for uncollectibles:			
Property Taxes	1,006,523	-	1,006,523
Deferred Property Taxes	148,176	-	148,176
Taxes in Litigation	6,794	-	6,794
Rollback Taxes	1,580	-	1,580
Tax Liens	450,473	-	450,473
Excise Taxes and Other Taxes	308,508	-	308,508
User Charges	-	1,466,743	1,466,743
Departmental	571,184	-	571,184
Special Assessments	14,259	9,262	23,521
Loans	208,401	-	208,401
Due from Other Governments	5,913,550	-	5,913,550
Total current assets	27,467,120	16,627,901	44,095,021
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Due from Other Governments	19,194,179	-	19,194,179
Capital Assets, net of accumulated Depreciation:			
Nondepreciable	11,224,734	3,732,526	14,957,260
Depreciable	57,905,905	51,774,167	109,680,072
Total noncurrent assets	88,324,818	55,506,693	143,831,511
<b>Total Assets</b>	<b>115,791,938</b>	<b>72,134,594</b>	<b>187,926,532</b>
<b>LIABILITIES</b>			
CURRENT:			
Warrants Payable	1,393,884	733,396	2,127,280
Accrued Payroll	1,285,150	-	1,285,150
Payroll Withholdings	421,026	-	421,026
Tax Refund Payable	48,150	-	48,150
Other	57,640	-	57,640
Accrued Interest	418,890	143,600	562,490
Compensated Absences	1,130,051	100,441	1,230,492
Bond Anticipation Notes	1,508,795	1,129,032	2,637,827
Bonds and Lease Payable	4,476,093	2,311,197	6,787,290
Total current liabilities	10,739,679	4,417,666	15,157,345
NONCURRENT:			
Landfill Closure	-	1,090,135	1,090,135
Compensated Absences	2,153,132	31,098	2,184,230
Bonds and Lease Payable	32,964,563	33,125,974	66,090,537
Total noncurrent liabilities	35,117,695	34,247,207	69,364,902
<b>Total Liabilities</b>	<b>45,857,374</b>	<b>38,664,873</b>	<b>84,522,247</b>
<b>NET ASSETS:</b>			
Invested in Capital Assets, net of related debt	51,805,521	18,940,490	70,746,011
Restricted for:			
Capital Projects	900,608	1,539,505	2,440,113
Loans	208,401	-	208,401
Federal & State Grants	3,690,246	-	3,690,246
Permanent Funds:			
Expendable	109,668	-	109,668
Nonexpendable	635,656	-	635,656
Other Purposes	3,105,195	-	3,105,195
Unrestricted	9,479,269	12,989,726	22,468,995
<b>Total Net Assets</b>	<b>\$ 69,934,564</b>	<b>\$ 33,469,721</b>	<b>\$ 103,404,285</b>

The Notes to the Financial Statements are an integral part of this Statement.

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

Program Revenues					Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 5,929,182	\$ 2,716,311	\$ 2,516,734	\$ 470,000	\$ (226,137)	\$ -	(226,137)
Public Safety	11,114,159	1,849,272	645,589	-	(8,619,298)	-	(8,619,298)
Public Works	3,671,697	80,260	98,866	806,137	(2,686,434)	-	(2,686,434)
Education	37,283,065	5,857,712	13,236,875	-	(18,188,478)	-	(18,188,478)
Health and Human Services	2,356,444	161,920	1,623,749	-	(570,775)	-	(570,775)
Culture and Recreation	2,373,071	479,450	90,061	93,995	(1,709,565)	-	(1,709,565)
Employee Benefits and Insurance	20,725,544	-	7,049,502	-	(13,676,042)	-	(13,676,042)
State Assessments	2,207,290	-	-	-	(2,207,290)	-	(2,207,290)
Interest	1,775,100	-	853,296	-	(921,804)	-	(921,804)
Total Governmental Activities	87,435,552	11,144,925	26,114,672	1,370,132	(48,805,823)	-	(48,805,823)
Business-Type Activities:							
Sewer	2,859,728	4,164,350	-	-	-	1,304,622	1,304,622
Water	3,192,145	4,533,038	49,440	-	-	1,390,333	1,390,333
Solid Waste	2,205,468	3,654,404	-	-	-	1,448,936	1,448,936
Total Primary Government	\$ 95,692,893	\$ 23,496,717	\$ 26,164,112	\$ 1,370,132	(48,805,823)	4,143,891	(44,661,932)
General Revenues:							
Property taxes					36,391,897	-	36,391,897
Motor vehicle and other taxes					2,276,703	-	2,276,703
Hotel room occupancy taxes					352,264	-	352,264
Penalties & interest on taxes					245,736	-	245,736
Grants & contributions not restricted to specific programs					5,838,274	-	5,838,274
Unrestricted investment income					643,823	578,969	1,222,792
Miscellaneous					6,307	-	6,307
Contributions to Permanent Funds					8,050	-	8,050
Transfers, net					2,773,720	(2,773,720)	-
Total General Revenues, Contributions and Transfers					48,536,774	(2,194,751)	46,342,023
Change in Net Assets					(269,049)	1,949,140	1,680,091
Net Assets:							
Beginning of year					70,203,613	31,520,581	101,724,194
End of year					\$ 69,934,564	\$ 33,469,721	\$ 103,404,285

The Notes to the Financial Statements are an integral part of this Statement.

**CITY OF NORTHAMPTON, MASSACHUSETTS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2008**

	General Fund	Stabilization Funds	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 5,970,727	\$ 2,169,618	\$ 9,865,694	\$ 18,006,039
Investments	20,895	-	810,738	831,633
Receivables, net of allowance for uncollectibles:				
Property Taxes	992,591	-	13,932	1,006,523
Deferred Property Taxes	148,176	-	-	148,176
Taxes in Litigation	6,794	-	-	6,794
Rollback Taxes	1,580	-	-	1,580
Tax Liens	449,429	-	1,044	450,473
Excise Taxes	308,508	-	-	308,508
Departmental	417,766	-	153,418	571,184
Special Assessments	-	-	14,259	14,259
Loans	-	-	208,401	208,401
Due from Other Governments	21,862,285	-	3,245,444	25,107,729
<b>Total Assets</b>	<b>\$ 30,178,751</b>	<b>\$ 2,169,618</b>	<b>\$ 14,312,930</b>	<b>\$ 46,661,299</b>
<b>LIABILITIES AND FUND BALANCE:</b>				
<b>Liabilities:</b>				
Warrants Payable	\$ 987,749	\$ -	\$ 406,135	\$ 1,393,884
Accrued Payroll	1,285,150	-	-	1,285,150
Employee Withholdings	421,026	-	-	421,026
Tax Refund Payable	48,150	-	-	48,150
Other	57,640	-	-	57,640
Deferred Revenue:				
Property Taxes	701,291	-	13,932	715,223
Other	22,899,245	-	3,089,968	25,989,213
Bond Anticipation Note Payable	-	-	1,508,795	1,508,795
<b>Total Liabilities</b>	<b>26,400,251</b>	<b>-</b>	<b>5,018,830</b>	<b>31,419,081</b>
<b>Fund Balance:</b>				
Reserved For:				
Encumbrances and continuing appropriations	1,696,492	-	-	1,696,492
Perpetual Permanent Funds	-	-	635,656	635,656
Unreserved:				
Designated for Subsequent Years' Expenditures	-	602,758	58,098	660,856
Undesignated, reported in:				
General Fund	2,082,008	-	-	2,082,008
Special Revenue	-	1,566,860	9,103,865	10,670,725
Capital Projects	-	-	(608,187)	(608,187)
Permanent Funds	-	-	104,668	104,668
<b>Total Fund Balance</b>	<b>3,778,500</b>	<b>2,169,618</b>	<b>9,294,100</b>	<b>15,242,218</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 30,178,751</b>	<b>\$ 2,169,618</b>	<b>\$ 14,312,930</b>	<b>\$ 46,661,299</b>

The Notes to the Financial Statements are an integral part of this Statement.

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	General Fund	Stabilization Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property Taxes	\$ 35,598,118	\$ -	\$ 734,786	\$ 36,332,904
State Receipts	17,457,930	-	-	17,457,930
Excise and Other Taxes	2,641,868	-	3,478	2,645,346
Licenses, Permits, Fees	8,706,485	-	-	8,706,485
Interest on Taxes	244,148	-	1,588	245,736
Interest on Investments	469,314	114,986	118,671	702,971
Net Change in Fair Value of Investments	-	-	(30,161)	(30,161)
Intergovernmental - "On-behalf" Payments	6,828,938	-	-	6,828,938
Additions	-	-	8,050	8,050
Grants and Fees	-	-	13,687,716	13,687,716
<b>Total Revenues</b>	<b>71,946,801</b>	<b>114,986</b>	<b>14,524,128</b>	<b>86,585,915</b>
<b>Expenditures:</b>				
Current:				
General Government	4,295,658	-	2,022,893	6,318,551
Public Safety	9,701,568	-	1,211,169	10,912,737
Public Works	3,013,840	-	845,326	3,859,166
Education	28,407,876	-	7,101,214	35,509,090
Health and Human Services	839,213	-	1,650,491	2,489,704
Culture and Recreation	1,728,127	-	610,032	2,338,159
Employee Benefits and Insurance	20,922,352	-	-	20,922,352
Capital Improvements	824,629	-	-	824,629
State Assessments	2,207,290	-	-	2,207,290
Debt Service:				
Principal	4,248,055	-	240,214	4,488,269
Interest	1,646,019	-	160,269	1,806,288
<b>Total Expenditures</b>	<b>77,834,627</b>	<b>-</b>	<b>13,841,608</b>	<b>91,676,235</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(5,887,826)</b>	<b>114,986</b>	<b>682,520</b>	<b>(5,090,320)</b>
<b>Other Financing Sources (Uses):</b>				
Operating Transfers In	4,932,012	171,000	17,977	5,120,989
Operating Transfers Out	(188,977)	(1,492,070)	(666,222)	(2,347,269)
Capital Lease	210,259	-	-	210,259
<b>Total Other Financing Sources (Uses)</b>	<b>4,953,294</b>	<b>(1,321,070)</b>	<b>(648,245)</b>	<b>2,983,979</b>
<b>Net Change in Fund Balances</b>	<b>(934,532)</b>	<b>(1,206,084)</b>	<b>34,275</b>	<b>(2,106,341)</b>
<b>Fund Balances, Beginning of Year</b>	<b>4,713,032</b>	<b>3,375,702</b>	<b>9,259,825</b>	<b>17,348,559</b>
<b>Fund Balances, End of Year</b>	<b>\$ 3,778,500</b>	<b>\$ 2,169,618</b>	<b>\$ 9,294,100</b>	<b>\$ 15,242,218</b>

The Notes to the Financial Statements are an integral part of this Statement.

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**Total Fund Balances to the Statement of Net Assets**  
**For the Year Ended June 30, 2008**

<b>Total Governmental Fund Balances</b>		\$ 15,242,218
Capital Assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds		69,130,639
Revenues are recognized on an accrual basis of accounting instead of a modified accrual basis		26,704,436
Long Term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds:		
Bonds and Leases Payable	\$ (37,440,656)	
Compensated Absences	<u>(3,283,183)</u>	(40,723,839)
In statement of activities, interest is accrued on outstanding long term debt, whereas in governmental funds interest is not reported until due		<u>(418,890)</u>
<b>Net Assets of Governmental Activities</b>		<u><u>\$ 69,934,564</u></u>

The Notes to the Financial Statements are an integral part of this Statement.

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2008**

**Net Change in Fund Balances - Total Governmental Funds** **\$ (2,106,341)**

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital Outlay Purchases	\$ 3,531,830	
Depreciation	<u>(3,787,217)</u>	(255,387)

Revenue in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue (2,193,132)

The Issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets:

Repayment of Debt and Lease Principal	4,589,460	
Capital Lease Financing	<u>(210,259)</u>	4,379,201

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Net Change in Compensated Absences	(124,578)	
Net Change in Accrued Interest on Long-Term Debt	<u>31,188</u>	(93,390)

**Change in Net Assets of Governmental Activities** **\$ (269,049)**

The Notes to the Financial Statements are an integral part of this Statement.

**CITY OF NORTHAMPTON, MASSACHUSETTS  
STATEMENT OF REVENUES AND EXPENDITURES -  
BUDGETARY BASIS - (NON-GAAP) -  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual	Amounts	Variance with
	Original	Final	Budgetary	Carried	Final Budget
	Budget	Budget	Basis	Forward	Positive
				to Next Year	(Negative)
<b>Revenues:</b>					
Property Taxes	\$ 35,308,592	\$ 35,383,592	\$ 35,262,808	\$ -	\$ (120,784)
State Receipts	17,410,814	17,410,814	17,457,930	-	47,116
Excise and Other Taxes	2,496,210	2,496,210	2,641,868	-	145,658
Licenses, Permits, Fees	9,197,559	9,197,559	8,706,485	-	(491,074)
Interest on Taxes	208,000	208,000	244,148	-	36,148
Interest on Investments	596,300	596,300	469,314	-	(126,986)
<b>Total Revenues</b>	<b>65,217,475</b>	<b>65,292,475</b>	<b>64,782,553</b>	<b>-</b>	<b>(509,922)</b>
<b>Expenditures:</b>					
Current:					
General Government	4,645,495	4,642,474	4,295,658	174,274	172,542
Public Safety	8,928,238	9,827,084	9,491,309	11,670	324,105
Public Works	2,899,797	3,358,481	3,013,840	238,151	106,490
Education	28,763,009	28,763,009	28,407,876	355,133	-
Health and Human Services	600,914	861,084	839,213	2,672	19,199
Culture and Recreation	1,720,503	1,736,673	1,728,127	1,636	6,910
Employee Benefits and Insurance	14,024,434	14,276,918	14,093,414	30,000	153,504
Capital Improvements	1,694,048	1,719,732	824,629	882,956	12,147
State Assessments	2,269,980	2,296,398	2,207,290	-	89,108
Debt Service:					
Principal	4,268,599	4,268,599	4,248,055	-	20,544
Interest	1,657,786	1,657,786	1,646,019	-	11,767
<b>Total Expenditures</b>	<b>71,472,803</b>	<b>73,408,238</b>	<b>70,795,430</b>	<b>1,696,492</b>	<b>916,316</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(6,255,328)</b>	<b>(8,115,763)</b>	<b>(6,012,877)</b>	<b>(1,696,492)</b>	<b>406,394</b>
<b>Other Financing Sources (Uses):</b>					
Operating Transfers In (Out)	4,256,162	4,729,656	4,743,035	-	13,379
<b>Total Other Financing Sources (Uses)</b>	<b>4,256,162</b>	<b>4,729,656</b>	<b>4,743,035</b>	<b>-</b>	<b>13,379</b>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<b>(1,999,166)</b>	<b>(3,386,107)</b>	<b>(1,269,842)</b>	<b>(1,696,492)</b>	<b>419,773</b>
<b>Budgetary Fund Balance - Beginning of Year</b>	<b>4,805,192</b>	<b>4,805,192</b>	<b>4,805,192</b>	<b>-</b>	<b>-</b>
<b>Budgetary Fund Balance - End of Year</b>	<b>\$ 2,806,026</b>	<b>\$ 1,419,085</b>	<b>\$ 3,535,350</b>	<b>\$ (1,696,492)</b>	<b>\$ 419,773</b>

The Notes to the Financial Statements are an integral part of this Statement.



**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**Reconciliation of Revenues and Expenditures**  
**from Budgetary Basis to GAAP Basis**  
**For the Year Ended June 30, 2008**

	<u>Revenues</u>	<u>Expenditures</u>
<b>Reported on a Budgetary Basis</b>	\$ 64,782,553	\$ 70,795,430
Net Increase in Revenue from Recording Refund Taxes Payable	199,950	
Recognition of intergovernmental Revenue - "on behalf payments"	6,828,938	
Recognition of Expenditures - "on behalf payments"		6,828,938
Capital Lease		210,259
Net Increase in Revenue from Recording 60-Day Receipts	<u>135,360</u>	
<b>Reported on a GAAP Basis</b>	<u>\$ 71,946,801</u>	<u>\$ 77,834,627</u>

The Notes to the Financial Statements are an integral part of this Statement.

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**  
**JUNE 30, 2008**

Business-Type Activities Enterprise Funds				
	Sewer Fund	Water Fund	Solid Waste Fund	Total
<b>ASSETS</b>				
<b>CURRENT:</b>				
Cash and Cash Equivalents	\$ 2,467,983	\$ 7,306,637	\$ 5,377,276	\$ 15,151,896
User Charges, net of allowance for uncollectibles	390,029	430,327	646,387	1,466,743
Special Assessments	9,262	-	-	9,262
Total current assets	2,867,274	7,736,964	6,023,663	16,627,901
<b>NONCURRENT:</b>				
Capital Assets, net of accumulated Depreciation:				
Nondepreciable	4,909	2,065,741	1,661,876	3,732,526
Depreciable	5,924,046	37,588,485	8,261,636	51,774,167
Total noncurrent assets	5,928,955	39,654,226	9,923,512	55,506,693
<b>Total Assets</b>	<b>8,796,229</b>	<b>47,391,190</b>	<b>15,947,175</b>	<b>72,134,594</b>
<b>LIABILITIES</b>				
<b>CURRENT:</b>				
Accounts Payable	55,054	356,739	321,603	733,396
Accrued Interest	30,640	93,650	19,310	143,600
Compensated Absences	47,671	37,150	15,620	100,441
Bond Anticipation Notes	-	1,129,032	-	1,129,032
Bonds Payable	320,686	1,751,511	239,000	2,311,197
Total current liabilities	454,051	3,368,082	595,533	4,417,666
<b>NONCURRENT:</b>				
Landfill Closure	-	-	1,090,135	1,090,135
Compensated Absences	14,623	3,933	12,542	31,098
Bonds Payable	2,658,235	28,983,739	1,484,000	33,125,974
Total noncurrent liabilities	2,672,858	28,987,672	2,586,677	34,247,207
<b>Total Liabilities</b>	<b>3,126,909</b>	<b>32,355,754</b>	<b>3,182,210</b>	<b>38,664,873</b>
<b>NET ASSETS:</b>				
Invested in Capital Assets, net of related debt	2,950,034	7,789,944	8,200,512	18,940,490
Restricted for Capital	430,684	793,486	315,335	1,539,505
Unrestricted	2,288,602	6,452,006	4,249,118	12,989,726
<b>Total Net Assets</b>	<b>\$ 5,669,320</b>	<b>\$ 15,035,436</b>	<b>\$ 12,764,965</b>	<b>\$ 33,469,721</b>

The Notes to the Financial Statements are an integral part of this Statement.

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	Business-Type Activities Enterprise Funds			
	Sewer Fund	Water Fund	Solid Waste Fund	Total
<b>Operating Revenues:</b>				
Charges for Services	\$ 4,107,177	\$ 4,506,642	\$ 3,473,805	\$ 12,087,624
Other	57,173	26,396	180,599	264,168
<b>Total Operating Revenues</b>	<b>4,164,350</b>	<b>4,533,038</b>	<b>3,654,404</b>	<b>12,351,792</b>
<b>Operating Expenses:</b>				
Salaries & Wages	643,347	757,802	415,319	1,816,468
Operating Expenses	1,274,629	633,558	1,197,539	3,105,726
Depreciation	795,493	835,546	512,425	2,143,464
<b>Total Operating Expenses</b>	<b>2,713,469</b>	<b>2,226,906</b>	<b>2,125,283</b>	<b>7,065,658</b>
<b>Operating Income (Loss)</b>	<b>1,450,881</b>	<b>2,306,132</b>	<b>1,529,121</b>	<b>5,286,134</b>
<b>Non-Operating Revenues (Expenses):</b>				
Interest Income	88,875	281,656	208,438	578,969
Intergovernmental	-	49,440	-	49,440
Interest Expense	(146,259)	(965,239)	(80,185)	(1,191,683)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(57,384)</b>	<b>(634,143)</b>	<b>128,253</b>	<b>(563,274)</b>
<b>Income (Loss) Before Operating Transfers</b>	<b>1,393,497</b>	<b>1,671,989</b>	<b>1,657,374</b>	<b>4,722,860</b>
<b>Operating Transfers:</b>				
Transfers In (Out)	(1,388,264)	(590,844)	(794,612)	(2,773,720)
<b>Total Operating Transfers</b>	<b>(1,388,264)</b>	<b>(590,844)</b>	<b>(794,612)</b>	<b>(2,773,720)</b>
<b>Change in Net Assets</b>	<b>5,233</b>	<b>1,081,145</b>	<b>862,762</b>	<b>1,949,140</b>
<b>Net Assets at Beginning of Year</b>	<b>5,664,087</b>	<b>13,954,291</b>	<b>11,902,203</b>	<b>31,520,581</b>
<b>Net Assets at End of Year</b>	<b>\$ 5,669,320</b>	<b>\$ 15,035,436</b>	<b>\$ 12,764,965</b>	<b>\$ 33,469,721</b>

The Notes to the Financial Statements are an integral part of this Statement.

**CITY OF NORTHAMPTON, MASSACHUSETTS  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2008**

	Business-Type Activities Enterprise Funds			
	Sewer Fund	Water Fund	Solid Waste Fund	Total
<b>Cash Flows From Operating Activities:</b>				
Receipts from Customers and Users	4,146,389	4,415,394	3,394,370	\$ 11,956,153
Receipts from Other Revenues	57,173	26,396	180,599	264,168
Payments to Vendors	(1,334,302)	(359,279)	(772,910)	(2,466,491)
Payments to Employees	(661,782)	(768,380)	(410,630)	(1,840,792)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>2,207,478</b>	<b>3,314,131</b>	<b>2,391,429</b>	<b>7,913,038</b>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Transfers from (to) Other Funds	(1,388,264)	(590,844)	(794,612)	(2,773,720)
<b>Net Cash Provided by (Used for) Noncapital Financing Activities</b>	<b>(1,388,264)</b>	<b>(590,844)</b>	<b>(794,612)</b>	<b>(2,773,720)</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Proceeds from the issuance of Bonds and Notes	-	5,241,574	-	5,241,574
Intergovernmental	-	49,440	-	49,440
Acquisition and Construction of Capital Assets	(4,114)	(6,239,821)	(917,521)	(7,161,456)
Principal Payments on Bonds and Notes	(315,244)	(1,693,494)	(242,000)	(2,250,738)
Interest Expense	(147,306)	(964,954)	(82,127)	(1,194,387)
<b>Net Cash Provided by (Used for) Capital and Related Financing Activities</b>	<b>(466,664)</b>	<b>(3,607,255)</b>	<b>(1,241,648)</b>	<b>(5,315,567)</b>
<b>Cash Flows from Investing Activities:</b>				
Investment Income	88,875	281,656	208,438	578,969
Sale/(Purchase) of Investments	-	-	2,716,270	2,716,270
<b>Net Cash Provided by (Used for) Investing Activities</b>	<b>88,875</b>	<b>281,656</b>	<b>2,924,708</b>	<b>3,295,239</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>441,425</b>	<b>(602,312)</b>	<b>3,279,877</b>	<b>3,118,990</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>2,026,558</b>	<b>7,908,949</b>	<b>2,097,399</b>	<b>12,032,906</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 2,467,983</b>	<b>\$ 7,306,637</b>	<b>\$ 5,377,276</b>	<b>\$ 15,151,896</b>

**CITY OF NORTHAMPTON, MASSACHUSETTS  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2008**

	Business-Type Activities Enterprise Funds			Total
	Sewer Fund	Water Fund	Solid Waste Fund	
<b>Operating Income (Loss)</b>	\$ 1,450,881	\$ 2,306,132	\$ 1,529,121	5,286,134
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:</b>				
Depreciation	795,493	835,546	512,425	2,143,464
Change in Assets and Liabilities:				
Increase (Decrease) in Warrants Payable	(59,673)	274,279	228,491	443,097
Increase (Decrease) in Compensated Absences	(18,435)	(10,578)	4,689	(24,324)
Increase (Decrease) in Landfill Closure	-	-	196,138	196,138
Decrease (Increase) in User Charges Receivable	39,212	(91,248)	(79,435)	(131,471)
<b>Total Adjustments</b>	756,597	1,007,999	862,308	2,626,904
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>\$ 2,207,478</b>	<b>\$ 3,314,131</b>	<b>\$ 2,391,429</b>	<b>\$ 7,913,038</b>

The Notes to the Financial Statements are an integral part of this Statement.

**CITY OF NORTHAMPTON, MASSACHUSETTS  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2008**

	<b>NORTHAMPTON</b>		
	<b>Employees</b>		
	<b>Retirement</b>		
	<b>System Pension</b>		
	<b>Trust Fund</b>		
	<b>(as of December</b>		
	<b>31, 2007)</b>		
		<b>Private</b>	<b>Agency</b>
		<b>Purpose</b>	<b>Funds</b>
		<b>Trust Funds</b>	
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 773,815	\$ 1,364	\$ 255,165
Investments	74,134,465	942,701	-
Accrued Interest and Dividends	256,929	-	-
Accounts Receivable	1,036,224	-	-
<b>Total Assets</b>	<b>76,201,433</b>	<b>944,065</b>	<b>255,165</b>
<b>LIABILITIES</b>			
Warrants Payable	28,529	-	-
Due to Others	-	-	3,015
Due to Student Groups	-	-	157,550
Deposits and Escrows	-	-	94,600
<b>Total Liabilities</b>	<b>28,529</b>	<b>-</b>	<b>255,165</b>
<b>NET ASSETS:</b>			
Held in Trust for Pension Benefits and Other Purposes	\$ 76,172,904	\$ 944,065	\$ -

The Notes to the Financial Statements are an integral part of this Statement.

**CITY OF NORTHAMPTON, MASSACHUSETTS  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2008**

	<b>NORTHAMPTON Employees Retirement System Pension Trust Fund (as of December 31, 2007)</b>	<b>Private Purpose Trust Funds</b>
<b>Additions</b>		
Contributions:		
Employers	\$ 3,687,211	\$ -
Plan Members	1,971,240	-
Transfers/Reimbursements from Other Systems	281,656	-
Federal Grant Reimbursements	21,868	-
Commonwealth of Massachusetts - COLA	147,854	-
Private Donations	-	27,241
<b>Total Contributions</b>	<b>6,109,829</b>	<b>27,241</b>
Investment Income:		
Interest & Dividends	2,540,061	38,598
Net Change in Fair Value of Investments	7,726,921	(28,088)
<b>Total Investment Earnings</b>	<b>10,266,982</b>	<b>10,510</b>
Less Investment Expense	(259,253)	-
<b>Net Investment Earnings</b>	<b>10,007,729</b>	<b>10,510</b>
<b>Total Additions</b>	<b>16,117,558</b>	<b>37,751</b>
<b>Deductions:</b>		
Benefit Payments to Plan Members and Beneficiaries	5,694,788	-
Refunds to Members	362,325	-
Transfers to Other Systems	215,027	-
Educational Scholarships	-	23,850
Human Services	-	10,000
General Expenses	155,381	23,559
<b>Total Deductions</b>	<b>6,427,521</b>	<b>57,409</b>
<b>Change in Net Assets</b>	<b>9,690,037</b>	<b>(19,658)</b>
<b>Net Assets at Beginning of Year</b>	<b>66,482,867</b>	<b>963,723</b>
<b>Net Assets at End of Year</b>	<b>\$ 76,172,904</b>	<b>\$ 944,065</b>

The Notes to the Financial Statements are an integral part of this Statement.

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of Northampton, Massachusetts is a municipality in which citizens elect the mayor, seven council members and two at-large council members.

For financial reporting purposes, the City has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The City has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the basic financial statements to be misleading or incomplete.

Blended component units are entities that are legally separate from the City, but are so related that they are, in substance, part of the City's operations and so data from these units are combined with data of the primary government. The following component unit is blended within the primary government in the fiduciary funds:

The Northampton Contributory Retirement System (the System) was established to provide retirement benefits to City employees, the City Housing Authority, employees, and their beneficiaries. The System is governed by a five-member board comprised of the City Auditor (ex-officio), two members elected by the System's participants, one member appointed by the Mayor and one member appointed by the Board members. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements.

The system did not issue a separate audited financial statement. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth of Massachusetts' (Commonwealth) Public Employee Retirement Administration Commission (PERAC). That report may be obtained by contacting the System located at 210 Main Street, Northampton, Massachusetts.

The City is responsible for electing the governing board and/or committee members of the Northampton Housing Authority. This related organization is excluded from the financial reporting entity because the City's accountability does not extend beyond the City electing the board and/or committee members. Audited financial statements are available from the respective organization. A description of the related organization is as follows:

**Northampton Housing Authority** - A public housing agency that provides housing assistance to eligible and qualified low and moderate income elderly, handicap and families. The housing authority is an autonomous and self-sufficient agency under the State Executive Office of Communities and Development. The City has no significant influence over management, budget or policies of the authority.



**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2008**

The accompanying basic financial statements of the City of Northampton, Massachusetts (the City) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant City accounting policies are described herein.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and displayed in a single column.

Fiduciary funds are reported by fund type.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis* of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to be used to pay current liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2008**

current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, excises and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *stabilization fund* is a special revenue fund used to account for the accumulation of resources to provide general and/or capital reserves, and planning and development's ongoing and future operations.

The government reports the following major proprietary funds:

The *sewer fund* is used to account for the sewer activities.

The *water fund* is used to account for the water activities.

The *solid waste fund* is used to account for the integrated solid waste management program.

Additionally, the government reports the following fund types:

*Fiduciary fund* financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the government programs.

The *Northampton Employees Retirement System Pension trust fund* is used to account for the activities of the System, which accumulates resources to provide pension benefits to eligible retirees and their beneficiaries.

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2008**

The *agency fund* is used to account for assets held in a purely custodial capacity.

The nonmajor governmental fund consists of other special revenue, capital projects, and permanent funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds financial statements. The following describes the general use of these funds types:

The *special revenue fund* is used to account for the proceeds of specific revenue sources (other than permanent funds or capital projects funds) that are restricted by law or administrative action to expenditures for specified purposes.

The *capital projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Enterprise and Trust Funds).

The *permanent fund* is used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

#### **D. Cash and Cash Equivalents**

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash.

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. The City maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption, "cash and cash equivalents".

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Laws (MGL).

**E. Investments**

State and local statutes place certain limitations on the nature of deposits and investments available to the City. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U. S. Government or agencies that have a maturity of less than one year from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments in the Contributory Retirement System consist of marketable securities, bonds and short-term money market investments. All investments are carried at market value.

**F. Receivables**

The recognition of revenues related to accounts receivable reported in the government-wide financial statements and fund financial statements are reported under the accrual basis of accounting and the modified accrual basis of accounting, respectively.

***Property Taxes, Deferred Property Taxes, Taxes in Litigation, Rollback Taxes, and Tax Liens***

Property taxes are based on assessments as of January 1, 2007 and include betterments, special assessments and liens. Taxes are used to finance the operations of the City for the fiscal year July 1st to June 30th. By law, all taxable property in the Commonwealth of Massachusetts must be assessed at 100% of fair cash value. Taxes are due and payable on July 1st. The City has accepted the quarterly tax payment system. Under the quarterly tax payment system, the assessors make a preliminary tax commitment based on the prior year's net tax and may not exceed, with limited exceptions, fifty percent of that amount. The collector must mail preliminary tax bills each year by July 1st. The preliminary tax is payable in two equal installments. The first installment is due on August 1st and the second installment is due on November 1st. After the City sets the tax rate, the assessors make the actual tax commitment. If actual bills are mailed on or before December 31st, the balance remaining is payable in two equal installments. The first installment is due on February 1st and the second installment is due on May 1st. If bills are mailed after December 31st, the entire balance is not due until May 1st or thirty days after the bills were mailed, whichever is later. Any betterments, special assessments and other charges are added to the actual bills. Interest at the rate of 14% is charged on the amount of any preliminary tax or actual tax installment payment that is unpaid and delinquent and is charged only for the number of days the payment is actually delinquent. If actual tax bills are mailed after December 31st, interest will be computed from May 1st, or the payment due date, whichever is later. The City has an ultimate right to foreclose on property for which taxes have not been paid. Property taxes levied are recorded as receivables.

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2008**

Revenues from property taxes are recognized in the fiscal year for which they have been levied.

The City mailed preliminary tax bills for the fiscal year 2008 on July 1, 2007 that were due on August 1, 2007 and November 1, 2007 and actual bills on December 28, 2007 that were due on February 1, 2008 and May 1, 2008.

The Commonwealth of Massachusetts electorate in November, 1980, passed legislation known as Proposition 2 1/2, in order to limit the amount of revenue to be raised by taxation. The purpose of the legislation was to control the levy of taxes that are assessed to property owners of a City. The legal levy limit under Proposition 2 1/2 for fiscal year 2008 is \$35,797,220 consisting of a base of \$34,339,480 and a debt exclusion of \$1,457,740. The total amount raised by taxation was \$35,768,169.

The allowance for uncollectible accounts is estimated based on historical trends and specific account analysis.

***Excise Taxes***

Excise taxes consist of motor vehicle excise and vessel excise. Excise taxes are assessed annually for each vehicle and vessel registered in the City, and are recorded as receivables in the fiscal year of levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair value of those vehicles. The Board of Assessors of the City is responsible for determining the value of each vessel.

The tax calculation is the fair market value of the vehicle or vessel multiplied by the \$25 per \$1,000 of value and \$10 per \$1,000 of valuation, respectively.

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

***User Charges***

User charges and fees consist of sewer, water and solid waste and are levied monthly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Water and sewer liens are processed each year and included as a lien on the property owner's tax bill. Water, sewer charges, solid waste and liens are recorded as receivables in the fiscal year of the levy.

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

***Departmental***

Departmental receivables consist primarily of veterans services, school department fees, ambulance and other general government receipts.

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2008**

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

***Special Assessments***

Special assessments consists of Title V septic betterments in the governmental funds and sewer betterments in the business-type funds.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

***Loans***

The Community Development Block Grant office administers loan programs that provide housing assistance to residents of the City and commercial loans to businesses. Upon issuance, a receivable is recorded for the principal amount of the loan.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

***Due from Other Governments***

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, revenue is recognized as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, revenue is recognized when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

**G. Capital Assets**

Capital assets, which include land, construction in progress, buildings and improvements, machinery, equipment and other, and infrastructure assets (e.g. roads, water mains, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government-wide financial statements. Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value.

All purchase of equipment in excess of \$15,000 and construction costs of in excess of \$50,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets (excluding land) are depreciated on a straight-line basis. The estimated useful lives of fixed assets are as follows:

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2008**

<b>Capital Asset Type</b>	<b>Years</b>
Buildings and improvements	20-40
Machinery, equipment and other	3-15
Infrastructure	20-50

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

#### **H. Interfund Transfers**

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as operating transfers in and operating transfers out.

In the government-wide financial statements, operating transfers between and within governmental funds are eliminated from the governmental activities in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers net."

In the fund financial statements, operating transfers between and within funds are not eliminated from the individual fund statements and are reported as operating transfers in and operating transfers out.

#### **I. Deferred Revenue**

Deferred revenue at the fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Deferred revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

#### **J. Net Assets and Fund Equity**

Net assets are reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net assets have been "restricted for" the following:

"Capital projects" represents amounts restricted for capital purposes.

"Loans" represents community development outstanding loan receivable balances.

"Federal and state grants" represents amounts restricted for by the federal and state government for various programs.

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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"Permanent funds – expendable" represents amounts held in trust for which the expenditures are restricted by various trust agreements.

"Permanent funds – nonexpendable" represents amounts held in trust for which only investment earnings may be expended.

"Other purposes" represents restrictions placed on assets from outside parties.

Fund balances are reserved for amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use. Designations of fund balances represent tentative management plans that are subject to change. Fund balances have been "reserved for" the following:

"Encumbrances and continuing appropriations" represents amounts obligated under purchase orders, contracts and other commitments for expenditures that are being carried over to the ensuing fiscal year.

"Perpetual Permanent Funds" represent amounts held in trust for which only investment earnings may be expended.

"Designated for subsequent years' expenditures" represents the amount of fund balance appropriated to be used for expenditures in the subsequent year's budget. The City includes the following in the reserve:

<b>Major Governmental Funds:</b>			
<b>Stabilization fund</b>			602,758
<b>Nonmajor Governmental Funds:</b>			
Municipal waterways fund	\$	4,086	
Conservation wetlands fees		4,086	
Sale of cemetery lots		5,000	
Receipts reserved for the payment of debt		39,926	
Cemetery perpetual care fund		5,000	58,098
		\$	660,856

#### **K. Long-term Debt**

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net assets.

The face amount of governmental funds long-term debt is reported as other financing sources.

#### **L. Compensated Absences**

The City grants to employees sick and vacation leave in varying amounts based upon length of service and in accordance with various individual union contracts. Upon



**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2008**

retirement, termination, or death, certain employees are compensated for unused vacation and sick leave (subject to certain limitations) at 20% of their current rates of pay.

**M. Post Retirement Benefits**

In addition to providing pension benefits, health insurance coverage is provided for retired employees and their survivors in accordance with MGL, Chapter 32, on a pay-as-you-go basis. The cost of providing health insurance is recognized by recording the employer's 50%, 60% and 80% share for PPO plans and HMO plans, respectively, insurance premiums in the general fund in the fiscal year paid. There were approximately 651 participants eligible to receive benefits at June 30, 2008. The estimated cost is \$2,981,366.

**N. Use of Estimates**

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

An annual budget is adopted for the City's General Fund. Although legislative approval is required for the acceptance of grants, capital projects and borrowing authorizations, annual budgets are not prepared for any other fund; therefore comparison of budget to actual is only presented for the General Fund.

The City must establish its property tax rate each year so that the property tax rate levy will comply with the limits established by Proposition 2 1/2, as amended, and also equal the sum of (a) the aggregate of all annual appropriations for expenditures, plus (b) provision for prior year deficits, if any, less (c) the aggregate of all non property tax revenues estimated to be received, including available funds. Supplemental appropriations may be made from available funds after the setting of the tax rate. Appropriations may be transferred between departments with the City Council approval.

The City follows these procedures in establishing the General Fund budgetary data as reflected in the financial statements:

Every board and committee in charge of a department shall annually, on the first day of December, send to the mayor and to the committee on finances an estimate in detail of the appropriations needed to enable the department to properly perform its duties.

Hearings are conducted and the Mayor then submits a budget to the City Council.

The budget is legally enacted by vote of the City Council prior to the end of the fiscal year.

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Throughout the fiscal year, any unencumbered appropriation, balance or portion thereof, may be transferred from one department, commission, board or office, to another by City Council vote.

Massachusetts law requires cities and towns to provide for a balanced budget. Section 23 of Chapter 59 of the Massachusetts General Laws states, in part,

"The assessors shall annually assess taxes to an amount not less than the aggregate of all amounts appropriated, granted or lawfully expended by their respective towns (cities) since the preceding annual assessment and not provided for therein . . ."

For fiscal year 2008, the City incurred a final budget deficit of \$3,386,107 for the General Fund.

The City voted from the following sources to fund the deficit budget during the fiscal year:

Unreserved fund balance:	
Free cash	\$ 1,436,940
Prior year's encumbrances	1,955,497
Reserved for deficits	(6,330)
	<u>\$ 3,386,107</u>

**B. Deficit Fund Equity**

The following funds had deficits at June 30, 2008 as measured by the balances of unreserved fund balance.

- The arts lottery council grants fund has a deficit of \$2,690. The deficit will be eliminated upon the future receipt of grant funds.
- The dog revolving fund has a deficit of \$5,100. The deficit will be eliminated upon the future receipt of funds.
- The juvenile firesetter intervention program has a deficit of \$4,385. The deficit will be eliminated upon the future receipt of funds.
- The capital projects fund has various individual projects that are overdrawn for a total of \$920,630. These deficits will be eliminated upon the issuance of permanent debt.

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**3. DETAILED NOTES**

**A. Deposits and Investments**

**Custodial Credit Risks – Deposits – City Financials**

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. Deposits at June 30, 2008 were \$33,055,477. Of these, \$7,779,609 were exposed to custodial credit risk as uninsured and uncollateralized.

**Custodial Credit Risks – Deposits – Northampton Contributory Retirement System**

Custodial credit risk is the risk that in the event of a bank failure, the System's deposits may not be returned to it. The System does not have a deposit policy for custodial credit risk. Deposits at December 31, 2007 were \$983,905. None was exposed to custodial credit risk as uninsured and uncollateralized.

**Investment Policies – City Financials**

Investments of funds, except for trust funds, are generally restricted by Massachusetts General Laws, Chapter 44, Section 55. That statute permits investments of available revenue funds and bond and notes proceeds in term deposits and certificates of deposits of banks and trust companies, in obligations issued or unconditionally guaranteed by the federal government or an agency thereof with a maturity of not more than one year, in repurchase agreements with a maturity of not more than 90 days secured by federal or federal agency securities, in participation units in the Massachusetts Municipal Depository Trust ("MMDT"), or in shares in SEC-registered money market funds with the highest possible rating from at least one nationally recognized rating organization.

The MMDT is an investment pool created by the Commonwealth under the supervision of the State Treasurer's office. According to the State Treasurer, the Trust's investment policy is designed to maintain an average weighted maturity of 90 days or less and is limited to high-quality, readily marketable fixed income instruments, including U. S. Government obligations and highly-rated corporate securities with maturities of one year or less.

As of June 30, 2008, the City had the following investments and maturities:

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Investment Type	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1 to 5
Debt Securities:			
U. S. Government agencies	\$ 383,613	\$ -	\$ 383,613
Corporate bonds	239,164	-	239,164
Money market mutual funds	473,451	473,451	-
	<u>1,096,228</u>	<u>\$ 473,451</u>	<u>\$ 622,777</u>
Other Investments:			
Equity securities - Domestic	276,737		
Certificates of Deposits	401,369		
	<u>\$ 1,774,334</u>		

### **Custodial Credit Risks - Investments**

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the City's \$1,774,334 in investments none are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the City's name. The City has no policy on custodial credit risk.

### **Interest Rate Risk**

The City does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

### **Credit Risk**

The City's exposure to credit risk as of June 30, 2008 is as follows:

Related Debt Instruments	Fair Value	Moody's Quality Ratings			Not Rated
		Aaa	A1	A3	
Debt Securities:					
U. S. treasury obligations	\$ 383,613	\$ 383,613	\$ -	\$ -	\$ -
Corporate bonds	239,164	-	88,108	151,056	-
Money market mutual fund	473,451	-	-	-	473,451
	<u>\$ 1,096,228</u>	<u>\$ 383,613</u>	<u>\$ 88,108</u>	<u>\$ 151,056</u>	<u>\$ 473,451</u>

### **Concentration of Credit Risk**

The City places no limit on the amount the City may invest in one issuer. More than 5 percent of the City's investments are in the Federal Home Loan Mortgage Association, the Federal Home Loan Bank and Verizon Penn corporate bond amounting to 10.14%, 11.48% and 8.51% respectively of the total City's investments.

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**Investment Policies – Northampton Contributory Retirement System City Financials**

Under PERAC regulations, every retirement board shall file a statement of investment objectives with PERAC. Among the information to be filed are the investment policy, the rate of return expected, the expected level of risk, the asset mix, the degree of diversification, and other pertinent financial information.

Specific policies for investments of funds for the system are as follows:

- A. The assets shall be diversified among fixed income, equity, and short term investment and may include:
  - i. up to 3% of the total market value of the portfolio in limited partnerships, such as, but not limited to, venture capital investments;
  - ii. up to 8% of the total equity market value of the portfolio in foreign investments.
- B. The asset allocation of the portfolio shall lie within the range of 45%-65% common stock and 35%-55% fixed income as is permitted by an exemption issued to the Board.
- C. Equity investments shall comply with the following policies as well as relevant PERAC regulations including any modifications permitted by an exemption issued to the Board.
  - i. At least 75% of the market value of equity investments shall be in companies for which the market value of the outstanding shares is at least \$100 million at time of purchase.
  - ii. The investment in any one holding shall not exceed 5% of the total book value of equity investments at the time of purchase.
  - iii. All equity investments, including ADRs as permitted by an exemption issued to the Board, must be in securities traded on a major exchange or on the NASDAQ.
  - iv. The beta (a measure of equity volatility) shall average no more than 1.15 annually.
  - v. No investment shall be made in a company with less than a five year operating history.
  - vi. The holdings within the equity portfolio shall be diversified such that:
    - a. the equity portfolio shall consist of no fewer than 25 holdings;
    - b. no single industry shall account for more than 20% of the total market value;
    - c. at no time shall small capitalization stocks represent less than 10% of the total equity market value nor more than 50%.
  - vii. Recognizing that equity turnover may vary with market conditions and the specific characteristics of individual issues, turnover shall be targeted at no more than 150% per year.
- D. Fixed income investments shall comply with the following policies as well as relevant PERAC regulations including any modifications permitted by an exemption issued to the Board.

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- i. At least 65% of the market value of the fixed income portfolio shall be in holdings rated no less than A or equivalent.
  - ii. No more than 5% of the portfolio shall have a rating less than investment grade, and no bond shall be below a rating of B. Split-rated bonds, i.e. bonds rated investment grade by at least one agency but rated below investment grade by another, are included in this 5%.
  - iii. No holding shall be purchased unless there is at least \$50 million par of the issue outstanding at the time of purchase.
  - iv. No more than 5% of the total market value of the portfolio shall be invested in the direct (as opposed to asset-backed or mortgage-backed) debt obligations of any one fixed income issuer except that issues of the U.S. government or agencies that have the full faith and credit of the U.S. government may be held without limit. The investment Manager may exceed that level, up to a maximum of 10%, however, if he or she feels it is prudent to do so as long as the Investment Manager promptly advises the Secretary to the Board of the situation so that the Board may review the investment at its next meeting.
  - v. Fixed income holdings which are downgraded below BBB or Baa shall be sold within one year of the downgrading unless the exemption issued to the Board permits retention.
  - vi. The adjusted modified duration of the fixed income portfolio shall be within the range of 75% to 125% of the duration of the Index.
  - vii. Excluding purchases and sales of issues of the U.S. government or agencies that have the full faith and credit of the U.S. government, the turnover of the fixed income portfolio shall not exceed 150% per year.
  - viii. The holdings within the fixed income portfolio shall be diversified such that:
    - a. the holdings shall be diversified across sectors and industries with no single industry representing more than one third the market value
    - b. except that issues of the U.S. government or agencies that have the full faith and credit of the U.S. government may be held without limit.
    - c. the fixed income portfolio will consist of no fewer than 20 holdings
    - d. at no time shall more than 80% of the market value of the holdings nor less than 20% have an adjusted modified duration longer than the Index.
- E. Cash and cash equivalents shall be invested in any or all of the following instruments: money market funds, repurchase agreements, short term instruments issued by the Treasury and other agencies of the U.S. government, commercial paper rated P1 and corporate debt maturing within one year at date of purchase.

As of June 30, 2008, the System had the following investments and maturities:

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Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	More than 10 Years
Debt Securities:					
U. S. Treasury obligations	\$ 10,789,650	\$ -	\$ 1,772,000	\$ 7,196,111	\$ 1,821,539
U. S. Government agencies	4,445,966	-	1,154,008	667,062	2,624,896
Corporate debt	9,806,644	499,392	3,860,853	3,349,416	2,096,983
Money market mutual funds	4,347,049	4,347,049	-	-	-
	<u>29,389,309</u>	<u>\$ 4,846,441</u>	<u>\$ 6,786,861</u>	<u>\$ 11,212,589</u>	<u>\$ 6,543,418</u>
Other Investments:					
Equity securities - Domestic	44,745,156				
	<u>\$ 74,134,465</u>				

### **Custodial Credit Risks - Investments**

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the System's \$74,134,465 in investments, none are uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department but not in the System's name. The System has no policy on custodial credit risk.

### **Interest Rate Risk**

The System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

### **Credit Risk**

The System limits investments in bonds with a minimum quality rating of Baa or equivalent as rated by one or more recognized bond rating services, however, 10% of the market value of fixed income investments may be invested in bonds with a minimum quality rating of Ba or equivalent as rated by one or more recognized bond rating services

The System's exposure to credit risk as of June 30, 2008 is as follows:

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Related Debt Instruments	Fair Value
<b>Moody's Quality Ratings</b>	
<b><i>U. S. Treasury Obligations:</i></b>	
AAA	\$ 10,789,650
<b><i>U. S. Government Agencies:</i></b>	
AAA	4,445,966
<b><i>Corporate Debt:</i></b>	
AAA	1,592,784
AA	1,377,324
A	2,529,268
BAA	3,305,578
BA	1,001,690
<b><i>Money Market Mutual Funds:</i></b>	
Not rated	4,347,049
	<u><u>\$ 29,389,309</u></u>

**Concentration of Credit Risk**

The System may invest up to 15% of the account's assets in high yield securities on an opportunistic basis. More than 5 percent of the City's investments are in the Federal Home Loan Mortgage Association amounting to 5.24 of the total system's investments.

**B. Receivables**

At June 30, 2008, receivables for the individual major governmental funds, non-major governmental funds, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:



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	Gross Amount	Allowance for Uncollectibles	Net Amount
<b>Major and nonmajor governmental funds:</b>			
Property taxes	\$ 1,258,119	\$ (251,596)	\$ 1,006,523
Deferred property taxes	148,176	-	148,176
Taxes in litigation	6,794	-	6,794
Rollback taxes	1,580	-	1,580
Tax liens	450,473	-	450,473
Excise taxes and other taxes	938,091	(629,583)	308,508
Departmental	733,202	(162,018)	571,184
Special assessments	14,259	-	14,259
Loans	208,401	-	208,401
Due from other governments	25,107,729	-	25,107,729
<b>Employees Retirement System (as of December 31, 2007)</b>			
Accounts receivable	1,036,224	-	1,036,224
	<u>\$ 29,903,048</u>	<u>\$ (1,043,197)</u>	<u>\$ 28,859,851</u>

At June 30, 2008, receivables for the sewer, water and solid waste enterprise consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<b>Sewer Fund:</b>			
User charges	\$ 557,879	\$ (167,850)	\$ 390,029
Special assessments	9,262	-	9,262
<b>Water Fund:</b>			
User charges	450,392	(20,065)	430,327
<b>Solid Waste Fund:</b>			
User charges	771,387	(125,000)	646,387
	<u>\$ 1,788,920</u>	<u>\$ (312,915)</u>	<u>\$ 1,476,005</u>

The composition of amounts due from other governments as of June 30, 2008 for governmental funds is as follows:

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**General Fund:**

***Commonwealth of Massachusetts:***

School Building Authority - School Building Assistance

Capital portion \$ 21,566,992

Department of Revenue

Drug Subsidiary CMS - Retiree Medicare Part D 31,125

***Various Towns -***

Smith Vocational High School Tuitions 264,168 \$ 21,862,285

**Nonmajor Governmental Funds:**

***U. S. Department of Housing and Urban Development:***

Community Development Block Grant \$ 372,312

Supportive Housing Program 908,198

***U. S. Department of Education -***

School Title Grants 39,558

***Commonwealth of Massachusetts -***

Department of Education - School Grants 3,000

Massachusetts Cultural Council 1,600

Massachusetts Highway Department 1,432,336

Executive Office of Public Safety and Homeland Security -

Public Safety Grant 8,440

Executive Office of Environmental Affairs -

Smart Growth Energy Grant 470,000

Conservation Trust Mineral Hill purchase 10,000 3,245,444

\$ 25,107,729

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

The balance of the general fund deferred revenues account is equal to all of June 30, 2008 receivable balances, except real and personal property taxes that are accrued for subsequent 60 day collections.

At the end of the current fiscal year, the deferred revenue for property taxes is \$715,223.

The various components of the other deferred revenue reported in the governmental funds were as follows:

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**General Fund:**

Deferred property taxes	\$	148,176	
Taxes in litigation		6,794	
Rollback taxes		1,580	
Tax Liens		449,429	
Excise Taxes		308,508	
Departmental		417,766	
Due from other governments		21,566,992	\$ 22,899,245

**Nonmajor Governmental Funds:**

Tax Liens	\$	1,044	
Departmental		153,418	
Special assessments		14,259	
Loans		208,401	
Due from other governments		2,712,846	3,089,968
			<u>\$ 25,989,213</u>

**C. Capital Assets**

**Governmental Activities**

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 9,794,387	\$ 1,054,000	\$ -	\$ 10,848,387
Construction in progress	5,575,930	1,098,802	(6,298,385)	376,347
Total capital assets not being depreciated	15,370,317	2,152,802	(6,298,385)	11,224,734
Capital assets being depreciated:				
Buildings and improvements	85,916,125	5,220,480	-	91,136,605
Machinery, equipment and other	8,857,898	774,948	(106,145)	9,526,701
Infrastructure	14,367,375	1,681,985	-	16,049,360
Total capital assets being depreciated	109,141,398	7,677,413	(106,145)	116,712,666
Less accumulated depreciation for:				
Buildings	37,445,313	2,728,241	-	40,173,554
Machinery, equipment and other	5,511,924	863,604	(106,145)	6,269,383
Infrastructure	12,168,452	195,372	-	12,363,824
Total accumulated depreciation	55,125,689	3,787,217	(106,145)	58,806,761
Total capital assets being depreciated, net	54,015,709	3,890,196	-	57,905,905
Total governmental activities capital assets, net	\$ 69,386,026	\$ 6,042,998	\$ (6,298,385)	\$ 69,130,639

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**Business-Type Activities**

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,928,050	\$ -	\$ -	\$ 1,928,050
Construction in progress	24,663,656	5,742,115	(28,601,295)	1,804,476
Total capital assets not being depreciated	26,591,706	5,742,115	(28,601,295)	3,732,526
Capital assets being depreciated:				
Building and Renovations	20,677,689	-	-	20,677,689
Machinery, equipment and other	2,019,957	274,179	-	2,294,136
Infrastructure	42,361,033	28,749,075	-	71,110,108
Total capital assets being depreciated	65,058,679	29,023,254	-	94,081,933
Less accumulated depreciation for:				
Building and Renovations	11,980,585	620,158	-	12,600,743
Machinery, equipment and other	1,160,491	239,845	-	1,400,336
Infrastructure	27,023,226	1,283,461	-	28,306,687
Total accumulated depreciation	40,164,302	2,143,464	-	42,307,766
Total capital assets being depreciated, net	24,894,377	26,879,790	-	51,774,167
Total business-type activities capital assets, net	\$ 51,486,083	\$ 32,621,905	\$ (28,601,295)	\$ 55,506,693

Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental Activities:**

General government	\$ 381,260
Public safety	599,166
Public works	336,626
Education	2,291,676
Health and human services	62,184
Culture and recreation	116,305
Total depreciation expense - governmental activities	<u>\$ 3,787,217</u>

**Business-Type Activities:**

Sewer fund	\$ 795,493
Water fund	835,546
Solid waste fund	512,425
Total depreciation expense - business-type activities	<u>\$ 2,143,464</u>

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**D. Interfund Receivables, Payables and Transfers**

Interfund transfers for the fiscal year ended June 30, 2008, are summarized as follows:

Transfers Out:	Transfers In:			Total
	General fund	Stabilization fund	Nonmajor governmental funds	
General fund	\$ -	\$ 171,000	\$ 17,977	\$ 188,977
Stabilization fund	1,492,070	-	-	1,492,070
Nonmajor governmental funds	666,222	-	-	666,222
Business-type activities	2,773,720	-	-	2,773,720
Total transfers out	<u>\$ 4,932,012</u>	<u>\$ 171,000</u>	<u>\$ 17,977</u>	<u>\$ 5,120,989</u>

**E. Lease**

The City has entered into lease agreements as lessee for financing the acquisition of ambulances, school department computer equipment and a truck. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through the capital leases are as follow:

	<b>Governmental Activities</b>
<b>Assets:</b>	
Machinery, equipment and other	\$ 481,942
Less: Accumulated Depreciation	(156,867)
Total	<u>325,075</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2008, are as follows:

Year Ending June 30,	<b>Governmental Activities</b>
2009	\$ 119,104
2010	136,258
2011	44,990
Total minimum lease payments	\$ 300,352
Less: amount representing interest	(22,233)
Present value of minimum lease payments	<u>\$ 278,119</u>

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**F. Short-Term Financing**

Under the general laws of the Commonwealth and with the appropriate local authorization the City is authorized to borrow funds on a temporary basis to (1) fund current operations prior to the collection of revenues, by issuing revenue anticipation notes, (2) fund grants prior to reimbursements, by issuing grant anticipation notes, and (3) fund capital projects costs incurred prior to selling permanent debt by issuing bond anticipation notes.

Details related to the short-term debt activity of the governmental and business-type activities are as follows:

Purpose	Interest Rate	Final Maturity Date	Balance June 30, 2007	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2008
<b>Governmental Activities:</b>						
<b>Bond Anticipation Notes:</b>						
Jackson Street school boiler	3.88%	06/20/08	\$ 82,000	\$ -	\$ 82,000	\$ -
Police vehicle	3.88%	06/20/08	85,000	-	85,000	-
Ryan Road bridge	3.88%	06/20/08	125,000	-	125,000	-
Computers - Smith Vocational	3.88%	06/20/08	50,000	-	50,000	-
School energy conservation	2.78%	02/13/09	-	70,000	-	70,000
Sidewalks	2.78%	02/13/09	-	20,000	-	20,000
Thermostat controls - Smith Vocational	2.78%	02/13/09	-	40,000	-	40,000
Bridge repairs	2.78%	02/13/09	-	20,000	-	20,000
Roof repairs	2.78%	02/13/09	-	10,000	-	10,000
District-wide security	2.78%	02/13/09	-	70,000	-	70,000
District-wide maintenance van	2.78%	02/13/09	-	20,268	-	20,268
Shop equipment - Smith Vocational	2.78%	02/13/09	-	100,000	-	100,000
Parking lot - Smith Vocational	2.78%	02/13/09	-	47,092	-	47,092
Dairy barn roof - Smith Vocational	2.78%	02/13/09	-	75,000	-	75,000
Species barn roof - Smith Vocational	2.78%	02/13/09	-	45,000	-	45,000
Jackson Street school boiler	2.28%	02/13/09	-	82,000	-	82,000
Police van	2.28%	02/13/09	-	85,000	-	85,000
Ryan Road bridge construction	2.28%	02/13/09	-	125,000	-	125,000
DPW street resurfacing	2.28%	02/13/09	-	50,000	-	50,000
DPW roof repairs	2.28%	02/13/09	-	15,000	-	15,000
Clement Street bridge repairs	2.28%	02/13/09	-	2,315	-	2,315
District-wide maintenance vehicle	2.28%	02/13/09	-	2,320	-	2,320
Jackson Street school PA	2.28%	02/13/09	-	50,000	-	50,000
Fire alarm - Smith Vocational	2.28%	02/13/09	-	40,000	-	40,000
Police station	2.28%	02/13/09	-	480,000	-	480,000
Fire department equipment	2.28%	02/13/09	-	34,800	-	34,800
Jackson Street school boiler	2.28%	02/13/09	-	25,000	-	25,000
			<b>\$ 342,000</b>	<b>\$ 1,508,795</b>	<b>\$ 342,000</b>	<b>\$ 1,508,795</b>

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2008**

Purpose	Interest Rate	Final Maturity Date	Balance June 30, 2007	Renewed/ Issued	Retired/ Redeemed	Outstanding June 30, 2008
<b>Business-Type Activities:</b>						
<b>Bond Anticipation Notes:</b>						
<b>Water Fund:</b>						
Water mains - Route 66	2.28%	02/13/09	\$ -	\$ 350,000	\$ -	\$ 350,000
Massachusetts Water Pollution Abatement Trust	1.46%	12/31/08	-	779,032	-	779,032
Total Business-type Activities			<u>\$ -</u>	<u>\$ 1,129,032</u>	<u>\$ -</u>	<u>\$ 1,129,032</u>

**G. Long Term Debt**

**General Obligation Bonds**

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities.

General obligation bonds currently outstanding of the governmental type fund are as follows:

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
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	<b>Interest Rate</b>	<b>Date Issued</b>	<b>Final Maturity Date</b>	<b>Original Amount Issued</b>	<b>Outstanding June 30, 2008</b>
<b>Inside Debt:</b>					
Fire station	5.0-5.75%	10/15/99	10/15/18	\$ 5,031,000	\$ 550,000
Library building remodeling	3.40%	10/15/02	09/01/19	\$ 830,000	545,000
Library	4.25%	01/19/05	01/19/12	\$ 350,000	200,000
Land acquisition	Various	11/15/04	10/15/23	\$ 72,000	48,000
Building remodeling - school	Various	11/15/04	10/15/23	\$ 767,000	635,000
Building remodeling - Feiker school	Various	11/15/04	10/15/23	\$ 145,000	58,000
Forbes library	Various	11/15/04	10/15/23	\$ 35,000	20,000
Repairs to city buildings	Various	11/15/04	10/15/23	\$ 40,000	25,000
Aerial ladder fire truck	Various	11/15/04	10/15/23	\$ 720,500	495,000
Departmental equipment - school	Various	11/15/04	10/15/23	\$ 37,000	7,000
Recreation facilities	Various	11/15/04	10/15/23	\$ 45,000	30,000
<b>Municipal Purpose Loan of 2007:</b>					
Departmental equipment	3.75-4.0%	03/15/07	03/15/12	\$ 769,500	572,000
Ryan Road/SVHS parking repaving	3.75-4.0%	03/15/07	03/15/12	\$ 425,000	325,000
Ridgewood Terrace sidewalks	3.75-4.0%	03/15/07	03/15/12	\$ 71,600	56,000
School energy	3.75-4.0%	03/15/07	03/15/16	\$ 60,000	53,000
SVHS shop computers	3.75-4.0%	03/15/07	03/15/16	\$ 300,000	263,000
Ridgewood Terrace roads	3.75-4.0%	03/15/07	03/15/16	\$ 173,400	153,000
Veteran's field skatepark	3.75-4.0%	03/15/07	03/15/22	\$ 140,000	130,000
Senior center	3.75-4.0%	03/15/07	03/15/26	\$ 3,910,000	3,704,000
Forbes library remodeling	3.75-4.0%	03/15/07	03/15/26	\$ 982,900	927,000
Schools and DPW garage remodeling	3.75-4.0%	03/15/07	03/15/26	\$ 415,000	391,000
DPW salt/sand shed	3.75-4.0%	03/15/07	03/15/26	\$ 173,600	163,000
Storm and surface drains	3.75-4.0%	03/15/07	03/15/26	\$ 602,000	568,000
<b>Refinanced:</b>					
Police land acquisition	Various	11/15/04	10/15/18	\$ 229,000	164,000
Land acquisition - Gerogianna	Various	11/15/04	10/15/18	\$ 76,000	66,000
Storm and surface drains	Various	11/15/04	10/15/18	\$ 40,000	36,000
Fire station	Various	11/15/04	10/15/18	\$ 2,325,000	2,310,000
Lilly Library - Additional expansion	4.75%	03/15/06	03/15/12	\$ 73,000	48,000
<b>Massachusetts Water Pollution Abatement Trust:</b>					
Title V Community Septic Management Program Bond	N/A	10/25/00	08/01/18	\$ 93,837	57,341
<b>Total Inside Debt</b>					<u>12,599,341</u>
<b>Outside Debt:</b>					
High school remodeling	5.17%	10/15/00	06/15/20	\$ 21,610,000	2,160,000
High school roof replacement	3.40%	10/15/02	09/01/17	\$ 400,000	265,000
High school remodeling	3.40%	10/15/02	09/01/19	\$ 5,565,000	3,945,000
School project	3.40%	10/15/02	09/01/09	\$ 3,112,008	915,196
School project	3.40%	10/15/02	09/01/09	\$ 1,967,701	520,000
<b>Refinanced:</b>					
School project	Various	11/15/04	10/15/19	\$ 18,508,000	16,758,000
<b>Total Outside Debt</b>					<u>24,563,196</u>
<b>Total Governmental Type Debt</b>					<u>\$ 37,162,537</u>



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General obligation bonds currently outstanding of the business-type fund are as follows:

	<b>Interest Rate</b>	<b>Date Issued</b>	<b>Final Maturity Date</b>	<b>Original Amount Issued</b>	<b>Outstanding June 30, 2008</b>
<b>Inside Debt:</b>					
<b>Sewer:</b>					
Sewer	5.0%-5.8%	10/15/99	10/15/19	\$ 3,865,000	\$ 390,000
Sewer	3.40%	10/15/02	09/01/09	\$ 370,129	133,921
<b>Refinanced:</b>					
Sewer	Various	11/15/04	10/15/19	\$ 2,539,000	2,455,000
<b>Solid Waste:</b>					
Landfill Planning	3.75-4.00%	03/15/07	03/15/16	\$ 150,000	100,000
<b>Total Inside Debt</b>					<u>3,078,921</u>
<b>Outside Debt:</b>					
<b>Water:</b>					
Water Mains	5.0%-5.8%	10/15/99	10/15/19	\$ 970,000	100,000
Water Improvement	3.40%	10/15/02	09/01/09	\$ 566,989	200,882
Water Filtration Plant	Various	11/15/04	10/15/24	\$ 1,000,000	852,000
Route 66 Water Mains	Various	11/15/04	10/15/24	\$ 775,000	655,000
Water	3.75-4.00%	03/15/07	03/15/26	\$ 1,100,000	1,040,000
<b>Massachusetts Water Pollution Abatement Trust:</b>					
Water Filtration Plant	2.00%	02/01/07	08/01/24	\$ 2,241,713	2,148,327
Water Filtration Plant	2.00%	12/14/06	07/15/26	\$ 9,612,283	9,233,185
Water Filtration Plant	2.00%	12/14/06	07/15/26	\$ 14,000,000	13,447,856
<b>Refinanced:</b>					
Water	Various	11/15/04	10/15/19	\$ 3,814,000	3,058,000
					<u>30,735,250</u>
<b>Solid Waste:</b>					
<b>Refinanced:</b>					
Landfill	Various	11/15/04	10/15/16	\$ 1,829,000	1,623,000
					<u>1,623,000</u>
<b>Total Outside Debt</b>					<u>\$ 32,358,250</u>
<b>Total Business Type Debt</b>					<u>\$ 35,437,171</u>

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
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**Future Debt Service**

The annual principal and interest payments to retire all general obligation long-term debt outstanding as of June 30, 2008 are as follows:

**Governmental Type Activities**

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2009	\$ 4,368,998	\$ 1,610,033	\$ 5,979,031
2010	4,212,625	1,433,522	5,646,147
2011	3,494,214	1,253,378	4,747,592
2012	3,247,214	1,109,400	4,356,614
2013	3,104,213	968,476	4,072,689
2014-2018	12,884,061	2,747,920	15,631,981
2019-2023	4,913,212	534,032	5,447,244
2024-2026	938,000	72,300	1,010,300
	<u>\$ 37,162,537</u>	<u>\$ 9,729,061</u>	<u>\$ 46,891,598</u>

**Business-Type Activities**

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2009	\$ 2,311,197	\$ 992,114	\$ 3,303,311
2010	2,330,191	920,884	3,251,075
2011	2,121,705	854,027	2,975,732
2012	2,147,258	787,152	2,934,410
2013	2,157,337	715,412	2,872,749
2014-2018	9,971,752	2,510,210	12,481,962
2019-2023	8,201,520	1,193,469	9,394,989
2024-2027	6,196,211	253,060	6,449,271
	<u>\$ 35,437,171</u>	<u>\$ 8,226,328</u>	<u>\$ 43,663,499</u>

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
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A summary of the changes in governmental activities and business-type long term debt during the year is as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Amounts Due within One Year</b>
<b>Governmental activities:</b>					
<b>Bond Payable:</b>					
General obligation bonds	\$41,554,087	\$ -	\$ 4,448,891	\$ 37,105,196	\$ 4,363,784
Massachusetts Water Pollution Abatement Trust bonds	62,555	-	5,214	57,341	5,214
Lease payable	203,215	210,259	135,355	278,119	107,095
Compensated absences	3,158,605	124,578	-	3,283,183	1,130,051
Governmental activity Long-term liabilities	<u>\$44,978,462</u>	<u>\$ 334,837</u>	<u>\$ 4,589,460</u>	<u>\$ 40,723,839</u>	<u>\$ 5,606,144</u>
<b>Business type activities:</b>					
<b>Bond Payable:</b>					
General obligation bonds	\$11,833,913	\$ -	\$ 1,226,110	\$ 10,607,803	\$ 1,223,216
Massachusetts Water Pollution Abatement Trust bonds	25,853,996	-	1,024,628	24,829,368	1,087,981
Compensated absences	155,863	-	24,324	131,539	100,441
Business-type activity long term Long-term liabilities	<u>\$37,843,772</u>	<u>\$ -</u>	<u>\$ 2,275,062</u>	<u>\$ 35,568,710</u>	<u>\$ 2,411,638</u>

### **Advance Refunding**

On November 15, 2004, the City advance refunded a general obligation bond issue with a general obligation refunding note. Of this issue, the City issued \$29,360,000 of general obligation refunding bonds to refund 1995 bonds in the aggregate principal amount of \$3,250,000, the 1996 bonds in the aggregate principal amount of \$6,985,000, the 1997 bonds in the aggregate principal amount of \$2,895,000, the 1999 bonds in the aggregate principal amount of \$4,685,000 and the 2000 bonds in the aggregate principal amount of \$10,800,000 and together with the 1995 refunded bonds, the 1996 refunded bonds, the 1997 refunded bonds and the 1999 refunded bonds. The refunded bonds achieved a total savings of approximately 56.63% or \$1,890,061. As a result, the refunded bonds, including the business-type bonds, are considered to be defeased and the liability has been removed from the general obligation long-term debt and the business-type debt.

U. S. Bank National Association (the "escrow agent") has established an irrevocable trust fund designated the City of Northampton, Massachusetts Refunding Escrow Fund and moneys in the amount of \$31,453,283 have been set aside in the trust. The moneys in the refunding trust and any investments held as part of such fund shall be held in trust for the benefit of the owners of the refunded bonds and shall be applied by the Escrow Agent solely to the payment of the redemption price of and interest of the refunded bonds. These moneys will be used to purchase government obligations.

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
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The balance, at market, of the refunding trust agreement at June 30, 2008 is \$16,441,788.

**Massachusetts Water Pollution Abatement Trust**

The City has borrowed moneys from the Water Pollution Abatement Project Bond Resolution (Pool Loan Program). Under this program the borrower shall receive, as a credit against the loan repayment then due on this bond, the loan subsidy amounts (earnings on the equity of the trust). The City currently has four loans as follows:

- a gross obligation of \$138,396 representing the gross principal and interest repayments amounts; of this loan subsidy amounts consists of \$44,559 resulting in a net loan repayment of \$93,837.
- a gross obligation of \$3,287,701 representing the gross principal and interest repayments amounts; of this loan subsidy amounts consists of \$667,226 resulting in a net loan repayment of \$2,620,475.
- a gross obligation of \$11,682,133 representing the gross principal and interest repayments amounts.
- a gross obligation of \$16,933,765 representing the gross principal and interest repayments amounts.

The following is a summary of the activity of the Water Pollution Abatement Project Bond Resolution:

<b>No. 97-1050</b>				<b>Less: Loan Subsidy Amount</b>	<b>Net Loan Repayments</b>
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>		
Initial Loan Obligation	\$ 93,837	\$ 44,559	\$ 138,396	\$ 44,559	\$ 93,837
Repayments:					
Fiscal Year 2001	-	1,114	1,114	1,114	-
Fiscal Year 2002	5,213	4,073	9,286	4,073	5,213
Fiscal Year 2003	5,214	3,864	9,078	3,864	5,214
Fiscal Year 2004	5,214	3,656	8,870	3,656	5,214
Fiscal Year 2005	5,214	3,477	8,691	3,477	5,214
Fiscal Year 2006	5,213	3,239	8,452	3,239	5,213
Fiscal Year 2007	5,214	3,004	8,218	3,004	5,214
Fiscal Year 2008	5,214	2,743	7,957	2,743	5,214
	<u>\$ 57,341</u>	<u>\$ 19,389</u>	<u>\$ 76,730</u>	<u>\$ 19,389</u>	<u>\$ 57,341</u>

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
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**No. DW-04-05A**

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Less: Loan Subsidy Amount</b>	<b>Net Loan Repayments</b>
Initial Loan Obligation	\$ 2,241,713	\$ 1,045,987	\$ 3,287,700	\$ 667,226	\$ 2,620,474
Repayments:					
Fiscal Year 2007	-	28,309	28,309	16,478	11,831
Fiscal Year 2008	93,386	101,675	195,061	49,439	145,622
	<u>\$ 2,148,327</u>	<u>\$ 916,003</u>	<u>\$ 3,064,330</u>	<u>\$ 601,309</u>	<u>\$ 2,463,021</u>

**No. DW-04-05**

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Less: Loan Subsidy Amount</b>	<b>Net Loan Repayments</b>
Initial Loan Obligation	\$ 9,612,283	\$ 2,069,850	\$ 11,682,133	\$ -	\$ 11,682,133
Repayments:					
Fiscal Year 2008	379,098	205,009	584,107	-	584,107
	<u>\$ 9,233,185</u>	<u>\$ 1,864,841</u>	<u>\$ 11,098,026</u>	<u>\$ -</u>	<u>\$ 11,098,026</u>

**No. DW-05-18**

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Less: Loan Subsidy Amount</b>	<b>Net Loan Repayments</b>
Initial Loan Obligation	\$ 14,000,000	\$ 2,933,765	\$ 16,933,765	\$ -	\$ 16,933,765
Repayments:					
Fiscal Year 2008	552,144	217,681	769,825	-	769,825
	<u>\$ 13,447,856</u>	<u>\$ 2,716,084</u>	<u>\$ 16,163,940</u>	<u>\$ -</u>	<u>\$ 16,163,940</u>

**Legal Debt Limit**

Under Section 10 of Chapter 44 of the Massachusetts General Laws, a City may authorize indebtedness up to a limit of 2 1/2 percent of the equalized valuation of the City. Debt issued in accordance with this section of the law is designated as being "inside the debt limit." The City's inside debt at June 30, 2008, totaled \$15,678,262.

In addition, the City is authorized to incur debt outside of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit."

The following is a computation of the legal debt limit as of June 30, 2008:

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
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Equalized Valuation-Real Estate and Personal Property (2006)		\$ 2,974,992,300
Debt Limit: 2.5 % of Equalized value		\$ 74,374,808
Total Debt Outstanding		
Governmental Activity Debt	\$ 37,162,537	
Less: Debt Outside Debt Limit	24,563,196	\$ 12,599,341
Business-Type Activity Debt	\$ 35,437,171	
Less: Debt Outside Debt Limit	32,358,250	3,078,921
		\$ 15,678,262
Inside Debt Excess Borrowing Capacity at June 30, 2008		\$ 58,696,546

**Loans Authorized and Unissued - Memorandum Only**

Under the general laws of the Commonwealth of Massachusetts, a City must authorize debt at a City Council meeting. This authorized debt does not have to be actually issued at that time and remains authorized until the debt is actually issued or City Council votes to rescind the authorized debt.

The loan authorizations of the governmental activities as of June 30, 2008, which are not reflected in the City's financial statements are as follows:

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
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<u>Date</u>	<u>Purpose</u>	<u>Amount</u>
<b>Authorized</b>		
04/07/05	City Departmental Equipment and Vehicles	\$ 90,000
10/06/05	Energy Conservation and Alternative Energy Improvements to School Department Buildings	70,000
11/03/05	Construction of a Senior Center	17,500
11/16/06	Extraordinary repairs to three schools as follows:	
	Jackson Street clock and public address system	50,000
	Bridge Street clock and public address system	50,000
	Smith Vocational High School fire alarm upgrade	40,000
	Smith Vocational High School thermostat replacement	40,000
11/16/06	Pavement resurfacing and sidewalk construction	180,000
11/16/06	Police vehicle replacements	85,000
11/16/06	Drainage construction and reconstruction	350,000
11/16/06	Ryan Road bridge reconstruction	125,000
11/16/06	Extraordinary repairs to the Jackson Street boilers	82,000
06/21/07	Capital plan for department equipment and vehicles	129,800
06/21/07	Clement Street bridge reconstruction	300,000
06/21/07	DPW road repairs	25,000
06/21/07	Sidewalk construction	70,000
06/21/07	Smith Vocational High School technology plan	100,000
06/21/07	Smith Vocational High School extraordinary repairs	120,000
06/21/07	Smith Vocational High School parking lot repaving	50,000
07/06/07	Extraordinary repairs to the Jackson Street boilers	25,000
07/26/07	Police facility construction	1,000,000
05/01/08	Forbes library restoration	1,000,000
06/19/08	Mineral Hills conservation area land purchase	385,000
		<u>\$ 4,384,300</u>

The loan authorizations of the business-type activities as of June 30, 2008, which are not reflected in the City's financial statements are as follows:

<u>Date</u>	<u>Purpose</u>	<u>Amount</u>
<b>Authorized</b>		
	<b>Water Fund:</b>	
9/6/007	Water treatment plant	\$ 1,000,000
09/06/07	Water main - Route 66	1,200,000
02/07/08	Water treatment plant	250,000
		<u>2,450,000</u>
	<b>Solid Waste Fund:</b>	
06/03/04	Extraordinary Repairs to the Landfill	\$ 225,000
10/06/05	Engineering and Permitting Services for the Landfill	275,000
10/19/06	Engineering and Permitting Services for the Landfill	300,000
		<u>\$ 800,000</u>

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
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**H. Stabilization Fund**

Under Section 5B of Chapter 40 of the Massachusetts General Laws, the City may for the purpose of creating a stabilization fund appropriate in any year an amount not exceeding ten percent of the amount raised in the preceding year by taxation of real estate and tangible personal property or such larger amount as may be approved by the Emergency Finance Board. The aggregate amount in the fund at any time shall not exceed ten percent of the equalized valuation of the City and any interest shall be added to and become a part of the fund. The stabilization fund may be appropriated in a City by the City Council for any lawful purpose. At June 30, 2008, \$2,169,618 has been set aside in a stabilization fund, which is classified as a major fund in the governmental funds financial statements.

**4. OTHER INFORMATION**

**A. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The City has obtained a variety of commercial liability insurance policies which passes the risk of loss listed above to independent third parties.

Settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**B. City Council Votes - Fiscal Year 2009**

The financial statements of the City of Northampton as of June 30, 2008 do not reflect the fiscal year 2009 budget approved by the City Council on June 19, 2008, with the exception of Unreserved Fund Balance-Designated for Subsequent Years' Expenditures and Reserved Retained Earnings as described below. The City Council has authorized a fiscal year 2009 operating and capital budget as follows:



**CITY OF NORTHAMPTON, MASSACHUSETTS**  
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<b>Governmental Funds:</b>	
<i>From Tax Levy</i>	\$ 63,400,019
<i>From Parking Meter Receipts</i>	1,248,273
<i>From Community Preservation Funds</i>	1,308,417
<b>From Business-Type Funds:</b>	
Sewer fund receipts	1,546,261
Water fund receipts	611,595
Solid waste fund receipts	804,665
<b>From Other Available Funds:</b>	
<b>Major Funds:</b>	
<i>Designated for Subsequent Years' Expenditures:</i>	
Stabilization fund	602,758
<b>Nonmajor Governmental Funds:</b>	
<i>Designated for Subsequent Years' Expenditures:</i>	
Sale of cemetery lots	5,000
Cemetery perpetual care funds	5,000
Conservation wetlands fees	4,086
Municipal waterways fund	4,086
Receipts reserved for payment of debt	39,926
	<u>\$ 69,580,086</u>
<b>Business Type-Funds:</b>	
From sewer receipts	\$ 4,282,496
From sewer retained earnings	103,022
From sewer capital reserves	61,907
	<u>\$ 4,447,425</u>
From water receipts	\$ 4,947,482
From water retained earnings	963,977
From sale of timber	50,000
	<u>\$ 5,961,459</u>
From solid waste receipts	\$ 3,375,973
From landfill closure trust fund	1,000,000
	<u>\$ 4,375,973</u>

**C. Contingent Liabilities**

**Litigation**

Various cases are pending against the City at June 30, 2008. The amount of the claims cannot be estimated at the present time. As a result, the potential loss, if any on these claims has not been recorded on the financial statements.

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
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**Federal Financial Assistance**

The City receives significant financial assistance from numerous federal and state agencies in the form of grants and entitlements. Expenditures of funds under these programs require compliance with the grant agreements and are subject to audit procedures prescribed under the Single Audit Act Amendments of 1996. Any disallowed expenditures resulting from such audits become a liability of the City.

The outcome of lawsuits and any findings with respect to disallowed expenditures is not expected to materially affect the financial condition of the City.

**D. Landfill Closure and Postclosure Cost - Northampton Regional Sanitary Landfill**

The City of Northampton operates and owns a landfill. The City landfill is operating under a permit dated January 11, 1994 issued by the Commonwealth of Massachusetts Department of Environmental Protection. The permit is an authorization to operate the Phase 2 Expansion of the landfill. Phase 3 has begun to be constructed with the City providing authorization to borrow in the amount of \$3,680,000. The estimated useful life of the facility is 13.4 years from the date of the permit at an estimated filling rate of 110 tons a day.

The City received a grant in the amount of \$5,656,912 from the Commonwealth of Massachusetts for Phase 1 and Phase 2 of the construction of the landfill. The total cost of Phases 1, 2 and 3 was \$11,187,743 including City funds. Sixty percent of the grant is a no interest loan with repayment of the loan to begin no later than one year after completion of the construction of the facility at a quarterly payment of \$94,281.86.

The City completed Phase 4 in fiscal year 2003. The final cost of phase 4 was \$1,600,000.

In fiscal year 2004, the capping of cell 1 was completed. A contract in the amount of \$734,810 had been awarded for the construction of Phase 4.

As a requirement of the grant the City must make the following financial assurances:

**Operational Fund** - The City shall provide adequate financial assurances to ensure that adequate funds will be available to maintain and operate the facility on a day-to-day basis through the use of an operational fund.

**Closure Fund** - The City must establish a "landfill closure fund" to be funded through a phased-in schedule as follows:

Fiscal Years 1991 - 1993	\$50,000 per year
Fiscal Years 1994 - 1995	\$75,000 per year
Fiscal Year 1996	\$100,000 per year
Fiscal Years 1997 - 2003	\$125,000 per year

On June 30, 2008 the landfill closure fund is maintained in the solid waste business-type fund in the amount of \$2,723,729 of which the balance consists of \$3,819,559 in

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2008**

appropriated amounts; \$1,891,488 from the solid waste enterprise fund, \$68,959 in expenditures; \$3,543,957 in transfers out and \$625,598 in interest earnings.

The City has reflected \$1,090,135 as the estimate of the landfill maintenance and monitoring costs as a liability at June 30, 2008, in the business-type activities of the government-wide financial statements. The amount is based on estimates of what it would cost to perform all future post closure care. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

#### **E. Pension Plan**

##### **Plan Description**

The City contributes to the System, a cost-sharing multiple-employer defined benefit pension plan administered by the Northampton Contributory Retirement Board. Substantially, all employees are members of the System, except for public school teachers and administrators who are members of Commonwealth of Massachusetts Teachers' Retirement System to which the City does not contribute. Pension benefits and administrative expenses paid by the Teachers' Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$6,828,938 for the fiscal year ending June 30, 2008, and, accordingly, are reported in the general fund as intergovernmental revenues and employee benefit expenditures.

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the Massachusetts General Laws assigns authority to establish and amend benefit provisions of the plan. Cost of living adjustments granted between 1981 and 1987, and any increases in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Northampton Retirement Board and are borne by the System. The System issues a publicly available unaudited financial report in accordance with guidelines established by the Commonwealth's PERAC. That report may be obtained by contacting the System located at 210 Main Street, City Hall, Northampton, Massachusetts.

At December 31, 2007, the System's membership consists of the following:

Active Members	687
Inactive Members	91
Retired Members, Beneficiaries and Survivors	333
	<u>1,111</u>

##### **Funding Policy**

Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The City is required to pay into the System its share of the

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2008**

system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. The current and two preceding fiscal years apportionment of the annual pension cost between the employers required the City to contribute 96% of the total. Chapter 32B of the Massachusetts General Laws governs the contributions of plan members and the City.

The City's contribution to the System for the fiscal years ended June 30, 2008, 2007 and 2006 is shown below, which equaled its required contribution for each fiscal year.

Year Ended June 30	City's Contribution
2008	\$ 3,535,959
2007	3,409,475
2006	3,294,187

The following schedules are presented in accordance with the GASB No. 25.

**Schedule of Funding Progress**  
**(Dollar amounts in thousands)**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Aid (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/05	\$ 56,569	\$ 90,828	\$ 34,259	62%	\$ 18,120	189%
01/01/03	\$ 51,244	\$ 83,270	\$ 32,026	62%	\$ 18,226	176%
01/01/00	\$ 48,306	\$ 63,748	\$ 15,442	76%	\$ 15,833	98%

The required information presented above was determined as part of the actuarial valuations at the dates indicated. The last actuarial valuation was prepared by the Stone Consulting, Inc. as of January 1, 2005. The actuarial cost method of the plan has been determined in accordance with the individual entry age normal actuarial cost method. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 7.75 % a year compounded annually, (b) projected salary, including longevity, increases of 4.50% a year per member.

**Reporting Policies**

The funds of the Northampton Employees Retirement System are accounted for under the accrual basis. Under the accrual basis of accounting, all revenues and expenditures are accrued and investments are amortized to value. The books are maintained on a calendar year basis from January 1st to December 31st in accordance with the standards and

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2008**

procedures outlined by the Commissioner of the Public Employees Retirement Administration.

Investments are reported in accordance with PERAC requirements.

## **SUPPLEMENTARY SCHEDULES**

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED, JUNE 30, 2008**

	Fund Balances July 1, 2007	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2008
<b>Special Revenue:</b>					
<b>Federal and State Grants:</b>					
School Grants	\$ 443,209	\$ 2,476,775	\$ 2,543,659	\$ 1,776	\$ 378,101
Arts Lottery Council Grants	380	21,626	24,696	-	(2,690)
Community Development Grants	23,995	2,664,040	2,459,868	2,000	230,167
Council on Aging Grants	27,972	39,054	53,443	-	13,583
Disaster Relief and Hazard Grants	(33,830)	84,520	6,870	-	43,820
Highway Grants	104	665,662	632,688	-	33,078
Library Grants	651	66,473	60,680	-	6,444
National Park Service Grant	-	93,995	93,995	-	-
Other Programs and Grants	79,959	40,000	54,616	-	65,343
Public Safety Grants	109,721	371,111	359,638	-	121,194
Rail Trail Grants	57,718	20,771	10,566	-	67,923
Recycling Grants	35,087	-	14,650	-	20,437
<b>Schools:</b>					
School Lunch Revolving	67,672	834,446	928,179	53,484	27,423
School Lunch Commodities	-	48,949	48,949	-	-
Revolving Accounts	442,574	871,829	765,641	(53,484)	495,278
School Choice	2,045,934	1,005,835	1,447,115	-	1,604,654
E-Rate Telecommunications Reimbursements	34,132	23,607	12,668	-	45,071
Grant Indirect Expenses	77,766	22,555	17,182	(1,670)	81,469
MTC Solar Project	(989)	21,000	9,358	-	10,653
Privately Funded Grants	(16,930)	85,150	58,752	(106)	9,362
State Special Education Reimbursement Fund	440,974	575,699	546,411	-	470,262
<b>Other:</b>					
Ambulance Fund	283,477	604,015	-	(594,000)	293,492
Athletic Leagues Revolving Fund	130,555	178,166	156,046	-	152,675
Cable Access Studio	4,425	-	4,425	-	-
Community Preservation Fund	724,948	1,510,113	594,781	(8,172)	1,632,108
Compost Revolving Fund	20	-	-	-	20
Connecticut River Channel Markers	16,181	14,103	11,573	-	18,711
Conservation Funds	7,480	5,013	354	(4,100)	8,039
Council on Aging Revolving Funds	29,000	46,817	44,684	-	31,133
Dog Revolving Fund	(3,459)	487	2,128	-	(5,100)
Dog Refund	62,695	-	-	-	62,695
<b>Total Page 65</b>	<b>\$ 5,091,421</b>	<b>\$ 12,391,811</b>	<b>\$ 10,963,615</b>	<b>\$ (604,272)</b>	<b>\$ 5,915,345</b>

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED, JUNE 30, 2008**

	Fund Balances July 1, 2007	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2008
<b>Continued from Page 65</b>	\$ 5,091,421	\$ 12,391,811	\$ 10,963,615	\$ (604,272)	\$ 5,915,345
<b>Special Revenue (continued):</b>					
<b>Other (continued):</b>					
Energy Grant	2,970	34,000	-	-	36,970
Fire Department Revolving Funds	141,373	222,384	280,059	-	83,698
Fire Outside Detail	(22,071)	19,156	14,038	17,977	1,024
Firearms Licenses Revolving	2,775	-	2,775	-	-
Gifts & Donations	194,866	249,942	91,620	-	353,188
Handicapped Fund	4,306	-	-	-	4,306
Hazardous Waste Revolving	551	-	-	-	551
Innovative Enterprises Fund	3,000	-	-	-	3,000
Insurance Reimbursements	139	-	-	-	139
Internet Access and Technology	91,618	82,878	9,129	-	165,367
J.F.K. Family and Aquatics Center Fund	13,236	109,754	87,974	-	35,016
Juvenile Firesetter Intervention Program	(4,886)	1,200	699	-	(4,385)
Keg Tag Forfeit Revolving	468	-	-	-	468
Municipal Waterways Fund	5,238	3,479	-	(4,100)	4,617
Northampton State Hospital Marketing	1,356	-	-	-	1,356
One Family Homelessness Grant	10,000	-	8,000	(2,000)	-
Parking Meter Reserves and Passes	719,611	126,705	-	152,528	998,844
Police Court Time	7,268	-	-	-	7,268
Police Outside Detail	73,956	254,051	270,524	-	57,483
Public Works Grants Projects Revolving	1,914	121,566	65,402	-	58,078
Receipts Reserved for Payment of Debt	89,927	-	-	(50,000)	39,927
Recreation Revolving	47,019	176,072	150,048	-	73,043
Sale of Cemetery Lots	23,300	5,750	-	(5,000)	24,050
Sale of Land	436,497	-	-	-	436,497
Sale of Lumber	234,469	-	3,805	-	230,664
Septic Repair Loan Repayments	59,484	6,547	7,957	-	58,074
Stormwater Management	13,378	-	-	(13,378)	-
Affordable Housing Fund	691	280	-	-	971
Conservation Land Purchase Fund	178,181	671,824	626,403	-	223,602
Drug Forfeiture Fund	28,556	4,819	19,090	-	14,285
<b>Total Page 66</b>	<b>\$ 7,450,611</b>	<b>\$ 14,482,218</b>	<b>\$ 12,601,138</b>	<b>\$ (508,245)</b>	<b>\$ 8,823,446</b>



**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED, JUNE 30, 2008**

	Fund Balances July 1, 2007	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2008
<b>Continued from Page 66</b>	\$ 7,450,611	\$ 14,482,218	\$ 12,601,138	\$ (508,245)	\$ 8,823,446
<b>Special Revenue (continued):</b>					
<b>Other (continued):</b>					
E. Lyman Fund	36	-	-	-	36
Hampton Gardens Fund	289,850	9,393	163,989	-	135,254
Library Fund	63,221	221	-	-	63,442
Park Street Improvements Fund	2,627	9	843	-	1,793
Smith Vocational High School Fund	224,049	8,943	-	(100,000)	132,992
<b>Total Special Revenue Funds</b>	<b>8,030,394</b>	<b>14,500,784</b>	<b>12,765,970</b>	<b>(608,245)</b>	<b>9,156,963</b>
<b>Capital Projects:</b>					
City Hall Exterior Upgrades	9,656	-	-	-	9,656
Crescent Street Drainage	148,297	-	-	-	148,297
Clement Street Bridge Repairs	-	-	24,372	-	(24,372)
Department of Public Works Roof	-	-	1,250	-	(1,250)
Department of Public Works Sidewalks	-	-	17,550	-	(17,550)
Department of Public Works Street Resurfacing	(10,312)	-	25,485	-	(35,797)
Elm Street Drainage Repair	4,507	-	-	-	4,507
Fire Department Communication Equipment	-	-	34,765	-	(34,765)
Fire Department Fire Engine	-	11,000	1,000	-	10,000
Food Services Van	26	-	-	-	26
Forbes Library Renovations	58,833	-	-	-	58,833
Jackson Street HVAC System	78,328	-	78,328	-	-
Jackson Street Boiler Burner Replacement	(57,922)	-	24,078	-	(82,000)
Police Vehicle Replacements	(45)	-	84,955	-	(85,000)
New Police Station	-	-	133,657	-	(133,657)
New Fire Station Construction	3,010	-	-	-	3,010
Northampton Public Schools Energy Conservation	32,055	2,536	52,842	-	(18,251)
Northampton Public Schools Point-of-Sale Systems	8,272	-	8,272	-	-
Ridgewood Terrace Project	51,445	-	14,438	-	37,007
Ryan Road Bridge Repairs	(80,411)	-	31,822	-	(112,233)
Ryan Road Parking Lot	145,595	-	145,595	-	-
Sewer Septic Work	2,988	-	-	-	2,988
<b>Total Page 67</b>	<b>\$ 394,322</b>	<b>\$ 13,536</b>	<b>\$ 678,409</b>	<b>\$ -</b>	<b>\$ (270,551)</b>

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED, JUNE 30, 2008**

	Fund Balances July 1, 2007	Revenues	Expenditures	Other Financing Sources (Uses)	Fund Balances June 30, 2008
<b>Continued from Page 67</b>					
<b>Capital Projects (continued):</b>					
School Maintenance Van	\$ -	13,536	\$ 678,409	\$ -	\$ (270,551)
School Security Measures	-	-	22,588	-	(22,588)
Smith Vocational High School E Building Roof	-	-	70,000	-	(70,000)
Smith Vocational High School Dairy Barn Roof	25,050	-	-	-	25,050
Smith Vocational High School Barn Roof	-	-	60,385	-	(60,385)
Smith Vocational High School Barn Roof	-	-	44,824	-	(44,824)
Smith Vocational High School Cosmetology Shop	23,151	-	21,407	-	1,744
Smith Vocational High School New Boilers	359	-	-	-	359
Smith Vocational High School Fire Alarms	-	-	19,000	-	(19,000)
Smith Vocational High School Thermostats	-	-	40,000	-	(40,000)
Smith Vocational High School Shop Equipment	-	-	71,866	-	(71,866)
Smith Vocational High School Parking Lot	-	-	47,092	-	(47,092)
Tree Truck Replacement	11,033	-	67	-	10,966
<b>Total Capital Projects</b>	<b>453,915</b>	<b>13,536</b>	<b>1,075,638</b>	<b>-</b>	<b>(608,187)</b>
<b>Perpetual Permanent Funds:</b>					
Cemetery Perpetual Care Funds	627,606	8,050	-	-	635,656
<b>Permanent Funds:</b>					
Cemetery Funds	147,910	1,758	-	(40,000)	109,668
<b>Total Non-Major Governmental Funds</b>	<b>\$ 9,259,825</b>	<b>\$ 14,524,128</b>	<b>\$ 13,841,608</b>	<b>\$ (648,245)</b>	<b>\$ 9,294,100</b>

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**SCHEDULE OF REAL ESTATE AND PERSONAL PROPERTY TAXES, ROLLBACK TAXES,**  
**DEFERRED PROPERTY TAXES AND COMMUNITY PRESERVATION SURCHARGE**  
**JULY 1, 2007 TO JUNE 30, 2008**

	Uncollected Taxes July 1, 2007	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2008	Uncollected Taxes Per Detail June 30, 2008
<b>Real Estate Taxes:</b>						
Levy of 2008	\$ -	\$ 34,914,244	\$ 275,635	\$ 33,948,150	\$ 690,459	\$ 690,459
Levy of 2007	600,809	-	177,995	291,447	131,367	131,367
Levy of 2006	27,334	-	28,444	(1,110)	-	-
	628,143	34,914,244	482,074	34,238,487	821,826	821,826

**Personal Property Taxes:**

Levy of 2008	-	888,281	21,419	825,052	41,810	41,810
Levy of 2007	17,551	-	131	4,560	12,860	12,860
Levy of 2006	13,806	-	-	452	13,354	13,354
Levy of 2005	10,743	-	-	368	10,375	10,375
Levy of 2004	14,809	-	-	215	14,594	14,594
Prior Years	330,454	-	-	1,086	329,368	329,293
	387,363	888,281	21,550	831,733	422,361	422,286

**Total Real Estate and  
Personal Property Taxes**

\$ 1,015,506	\$ 35,802,525	\$ 503,624	\$ 35,070,220	\$ 1,244,187	\$ 1,244,112
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**Rollback Taxes**

\$ 1,580	\$ 4,208	\$ -	\$ 4,208	\$ 1,580	\$ 1,580
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**Deferred Property Taxes**

\$ 130,303	\$ 24,902	\$ -	\$ 7,029	\$ 148,176	\$ 148,176
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**Community Preservation  
Surcharge**

\$ -	\$ 756,522	\$ 17,844	\$ 726,983	\$ 11,695	\$ 11,695
Levy of 2008	-	1,449	7,398	2,237	2,237
Levy of 2007	11,084	756,522	19,293	734,381	13,932
	11,084	756,522	19,293	734,381	13,932

**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**SCHEDULE OF MOTOR VEHICLE EXCISE AND BOAT EXCISE TAXES**  
**JULY 1, 2007 TO JUNE 30, 2008**

	Uncollected Taxes July 1, 2007	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Taxes June 30, 2008	Uncollected Taxes Per Detail June 30, 2008
<b>Motor Vehicle Excise Taxes:</b>						
Levy of 2008	\$ -	2,023,230	\$ 52,939	\$ 1,817,183	\$ 153,108	\$ 153,108
Levy of 2007	157,964	303,703	34,121	392,785	34,761	34,661
Levy of 2006	51,852	25,159	8,717	41,004	27,290	27,290
Levy of 2005	28,701	2,303	1,731	7,189	22,084	22,084
Levy of 2004	19,056	-	124	2,166	16,766	16,741
Prior Years	651,689	-	11	4,044	647,634	643,021
	909,262	2,354,395	97,643	2,264,371	901,643	896,905

<b>Boat Excise Taxes:</b>						
Levy of 2008	-	9,051	816	6,923	1,312	1,312
Levy of 2007	2,876	-	40	116	2,720	2,720
Levy of 2006	751	-	-	15	736	736
Levy of 2005	514	-	-	-	514	514
Levy of 2004	883	-	-	-	883	747
Prior Years	30,283	-	-	-	30,283	30,151
	35,307	9,051	856	7,054	36,448	36,180

<b>Total Motor Vehicle Excise and Boat Excise Taxes</b>	\$ 944,569	\$ 2,363,446	\$ 98,499	\$ 2,271,425	\$ 938,091	\$ 933,085
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**CITY OF NORTHAMPTON, MASSACHUSETTS**  
**SCHEDULE OF TAX LIENS AND TAXES IN LITIGATION**  
**JULY 1, 2007 TO JUNE 30, 2008**

	Uncollected Accounts July 1, 2007	Commitments	Abatements and Adjustments	Collections Net of Refunds and Overpayments	Uncollected Accounts June 30, 2008	Uncollected Accounts Per Detail June 30, 2008
<b>Tax Liens</b>	\$ 519,739	\$ 114,033	\$ 3,031	\$ 181,312	\$ 449,429	\$ 449,429
<b>Taxes in Litigation</b>	\$ 6,794	\$ -	\$ -	\$ -	\$ 6,794	\$ 6,794